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# VIRGINIA ISSUES: STATE AID TO LOCAL GOVERNMENT

By

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## FOREWORD

State aid to local governments in Virginia currently totals over $1 billion and represents one-third of local government finance. State aid is distributed to the local governments under the auspices of numerous programs administered by various state agencies and organizations. Given the significance and increased complexity of state aid, it is not surprising that it has attracted considerable attention from both legislators and concerned citizens in recent years. In response to this interest, the Tayloe Murphy Institute and the Institute of Government are pleased to present Virginia Issues: State Aid to Local Government. This study examines the rationale for state aid, describes and analyzes the current programs, and offers suggestions for improvement.

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# CHAPTER 1

# AN OVERVIEW OF STATE AID

State aid is a major source of funds for local governments in Virginia, composing about one-third of their general revenue. In 1976-77, the total amount of aid exceeded $1 billion. This large amount was distributed for a number of functions under many different formulas. Given the significance of state aid, it is not surprising that aid programs are continuous grist for the legislative mill. In recent years the topic of state aid has been given increased attention due to the requirements of the 1971 state constitution pertaining to educational standards of quality, the attempt to find a trade-off for the limitation of annexation powers of certain cities, and the fiscal distress of some local governments.

The General Assembly has recently passed two bills (House Bills 599 and 602) that will have a significant impact on the state aid programs for law enforcement, welfare, highways, constitutional officers, and the judiciary. In addition, the legislature in 1978 passed a joint resolution (SJR 46) that created the Public School Finance Study Commission, which is to study and make recommendations concerning state aid for schools.

The purpose of this study on state aid is to provide a general discussion giving information on trends in state aid, the problems involved in designing new formulas, the pros and cons of aid, and the existing programs. Following the analysis of each existing program, recommendations for improvement are provided.

Throughout the report the most current data available are used. While this results in some variations in time periods, it was felt that the advantages of timeliness outweighed those of consistency.

## Size and Trends

In 1976-77, the Virginia state government provided aid to local governments totaling slightly more than $1 billion (see Table 1.1). The major portion of this aid went to education, which received $722 million, or 66 percent of the total. Welfare was the next largest category, accounting for more than $200 million in state funds, or approximately 20 percent of total

Table 1.1

State Aid to Local Governments, 1976-77

| Category | State Aid | | Federal Pass-Through | |
|---|---|---|---|---|
| | Amount ($000) | Percent of Total | Amount ($000) | Percent of State Aid |
| Education | 721,989* | 65.7 | 111,492 | 15.4 |
| Public welfare | 222,983* | 20.3 | 135,169 | 60.6 |
| Highways | 42,150 | 3.8 | 827 | 2.0 |
| Constitutional officers | 35,993 | 3.3 | ... | ... |
| Sheriffs | 20,184 | 1.8 | ... | ... |
| Treasurers | 6,131 | 0.6 | ... | ... |
| Commissioners of revenue | 4,799 | 0.4 | ... | ... |
| Commonwealth attorneys | 2,596 | 0.2 | ... | ... |
| Clerks of courts | 2,283 | 0.2 | ... | ... |
| Health[a] | 25,942 | 2.4 | 1,651 | 6.4 |
| General local government support | 20,623* | 1.9 | ... | ... |
| Corrections | 20,605 | 1.9 | ... | ... |
| Juvenile probation and juvenile courts | 8,373 | 0.8 | ... | ... |
| Operation of jails | 6,919 | 0.6 | ... | ... |
| Detention homes | 5,315 | 0.5 | ... | ... |
| Hospitals | 4,652* | 0.4 | 3,652 | 78.5 |
| Libraries | 2,527* | 0.2 | 1,096 | 43.4 |
| Airports | 1,612* | 0.1 | 1,394 | 86.5 |
| Other | 489 | 0.0 | ... | ... |
| Total | 1,099,565 | 100.0 | 255,281 | 23.2 |

Sources: All figures marked with an asterisk were obtained from U.S. Bureau of the Census, State Government Finances in 1977 (Washington, D.C.: U.S. Government Printing Office, 1978). All other figures were obtained from the following: Virginia State Department of Education, Annual Report 1976-77 (Richmond, 1977); Virginia Department of Welfare, Annual Report 1976-77 (Richmond, 1977); Virginia Highway and Transportation Commission, "Financial Supplement to the Seventieth Annual Report" (Richmond 1978); Virginia State Compensation Board, Annual Report 1976-77 (Richmond, April 1978); Virginia State Department of Corrections, Annual Report 1976-77 (Richmond, n.d.); Virginia State Department of Health, information presented to the Commission on State Aid to Localities, August 12, 1977; and unpublished data and estimates from selected state agencies.

[a]State Department of Health figure. The Bureau of the Census did not classify the state portion of local health department expenditures as state aid as of 1975-76.

state aid.[1] Only five other categories accounted for more than 1 percent each, and none of those amounted to more than 4 percent.

About one-fourth of the total amount of state aid originated with the federal government ("pass-through" funds). The percentage of total aid that consisted of federal "pass-through" money varied by category--from zero for general support, constitutional officers, and corrections to 86.5 percent for airports. Welfare was the largest dollar recipient, receiving $135 million in federal "pass-through" money. Education was next, receiving slightly more than $111 million.

The most notable recent characteristic of Virginia government finance has been its growth; and during the eleven-year period 1965-66 to 1976-77, the fastest growing category was state aid to local governments (see Table 1.2 and Figure 1.1). During this period state aid quadrupled, rising from $241 million to over $1 billion and growing at an average rate of almost 15 percent a year. The biggest jump came in 1967 when state aid increased 38 percent, due in large part to the local share of the newly adopted state sales tax. Over this eleven-year period, state aid not only outgrew the Virginia economy (as measured by personal income) but also rose faster than state general expenditures and local general revenue.

The four major categories of aid for which data are available--education, public welfare, highways, and general local government support--all showed dollar increases, but their relative importance changed significantly (see Table 1.3). Welfare aid as a percentage of total state aid rose from 14.6 percent in 1965-66 to 20.3 percent in 1976-77, with the majority of the increase since 1969-70. Education decreased from 68.4 percent of the total to 65.7 percent. Some of this relative decline is explained by the modest growth in school enrollment during the period under consideration. Highways declined overall from 6.5 percent to 3.8 percent for the full eleven-year period. The collection of minor categories composing the remainder of state aid nearly doubled its share, rising from 4.7 percent in 1965-66 to 8.4 percent eleven years later.

## Major Issues

With a topic as broad and diverse as state aid, there are numerous issues. The following discussion presents a brief description of those issues that appear to be of greatest current concern.

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[1] Since 1976-77, there has been a change in the method of handling welfare payments for aid to dependent children. Instead of going through local accounts, these monies are now paid directly by the state. Adjusted for this accounting change, state public welfare aid in 1976-77 would have been $85 million rather than the $223 million shown.

Table 1.2

State Payments to Local Governments, 1965-66 to 1976-77

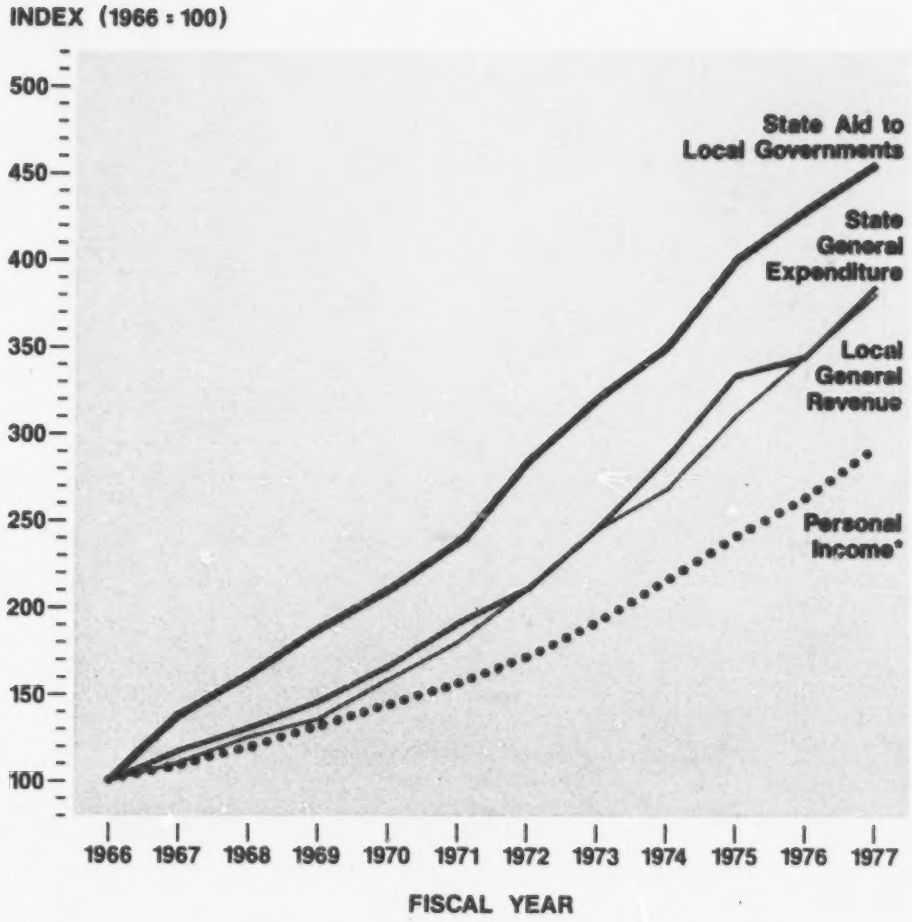
| Fiscal Year | State General Expenditures for All Functions ($000) | Total Local General Revenue ($000) | Total Personal Income[a] ($000) | Total State Aid to Local Governments ($000) | Index (1965-66 = 100) | | | | State Aid as a Percent of | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | State Expenditures | Local Revenue | Personal Income | State Aid | State Expenditures | Local Revenue | Personal Income |
| 1965-66 | 911,024 | 838,500 | 10,882,000 | 241,184 | 100 | 100 | 100 | 100 | 26.5 | 28.8 | 2.2 |
| 1966-67 | 1,064,169 | 931,300 | 11,876,000 | 333,818 | 117 | 111 | 109 | 138 | 31.4 | 35.8 | 2.8 |
| 1967-68 | 1,193,663 | 1,050,300 | 12,984,000 | 387,456 | 131 | 125 | 119 | 161 | 32.5 | 36.9 | 3.0 |
| 1968-69 | 1,330,132 | 1,143,300 | 14,383,000 | 450,632 | 146 | 136 | 132 | 187 | 33.9 | 39.4 | 3.1 |
| 1969-70 | 1,512,263 | 1,324,200 | 15,689,000 | 504,251 | 166 | 158 | 144 | 209 | 33.3 | 38.1 | 3.2 |
| 1970-71 | 1,737,029 | 1,508,400 | 17,135,000 | 571,597 | 191 | 180 | 157 | 237 | 32.9 | 37.9 | 3.3 |
| 1971-72 | 1,921,325 | 1,758,700 | 18,737,000 | 682,179 | 211 | 210 | 172 | 283 | 35.5 | 38.8 | 3.6 |
| 1972-73 | 2,232,562 | 2,056,200 | 20,941,000 | 771,493 | 245 | 245 | 192 | 320 | 34.6 | 37.5 | 3.7 |
| 1973-74 | 2,618,183 | 2,244,400 | 23,531,000 | 844,923 | 287 | 268 | 216 | 350 | 32.3 | 37.6 | 3.6 |
| 1974-75 | 3,040,962 | 2,606,500 | 26,205,000 | 967,488 | 334 | 311 | 241 | 401 | 31.8 | 37.1 | 3.7 |
| 1975-76 | 3,149,793 | 2,898,500 | 28,749,000 | 1,034,342[b] | 346 | 346 | 264 | 429 | 32.8 | 35.7 | 3.6 |
| 1976-77 | 3,518,413 | 3,191,100 | 31,899,000 | 1,099,565[b] | 386 | 381 | 293 | 456 | 31.3 | 34.5 | 3.5 |

Sources: U.S. Bureau of the Census, State Government Finances in [ ] and Governmental Finances in [ ] (Washington, D.C.: U.S. Government Printing Office) for the years indicated. Data on personal income from Bureau of Economic Analysis, U.S. Department of Commerce, unpublished printouts dated 10/27/77 and 8/28/78.

[a] For calendar years 1965-1976.

[b] Beginning in 1975-76 the Census Bureau excluded state health expenditures from state aid. Therefore, these figures are the sum of the Census Bureau figure for total aid and the State Department of Health figure for state share of local health costs.

## FIGURE 1.1
## TRENDS IN STATE AID




Source: Table 1.2.
*Data for calendar years 1965-1976.

Table 1.3

State Aid Payments by Function, 1965-66 to 1976-77

| Fiscal Year | Education | | Public Welfare | | Highways | | General Support | | Other | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($000) | As a Percent of Total Aid | Amount ($000) | As A Percent of Total Aid | Amount ($000) | As a Percent of Total Aid | Amount ($000) | As a Percent of Total Aid | Amount ($000) | As a Percent of Total Aid |
| 1965-66 | 164,994 | 68.4 | 35,144 | 14.6 | 15,595 | 6.5 | 14,080 | 5.8 | 11,371 | 4.7 |
| 1966-67 | 251,121 | 75.2 | 38,830 | 11.6 | 16,687 | 5.0 | 13,811 | 4.1 | 13,369 | 4.0 |
| 1967-68 | 296,897 | 76.6 | 43,852 | 11.3 | 17,612 | 4.5 | 13,942 | 3.6 | 15,153 | 3.9 |
| 1968-69 | 339,482 | 75.3 | 49,883 | 11.1 | 18,456 | 4.1 | 13,927 | 3.1 | 28,890 | 6.4 |
| 1969-70 | 368,456 | 73.1 | 74,921 | 14.9 | 18,782 | 3.7 | 14,551 | 2.9 | 27,541 | 5.5 |
| 1970-71 | 397,287 | 69.5 | 95,866 | 16.8 | 19,506 | 3.4 | 16,585 | 2.9 | 42,080 | 7.4 |
| 1971-72 | 446,725 | 65.5 | 146,204 | 21.4 | 20,506 | 3.0 | 17,461 | 2.6 | 51,283 | 7.5 |
| 1972-73 | 500,821 | 64.9 | 171,117 | 22.2 | 31,166 | 4.0 | 18,383 | 2.4 | 50,006 | 6.5 |
| 1973-74 | 569,386 | 67.4 | 166,757 | 19.7 | 36,678 | 4.3 | 19,426 | 2.3 | 52,658 | 6.2 |
| 1974-75 | 629,630 | 65.1 | 197,461 | 20.4 | 43,261 | 4.5 | 18,812 | 1.9 | 78,324 | 8.1 |
| 1975-76 | 660,770 | 63.9 | 212,637 | 20.5 | 51,646 | 5.0 | 21,525 | 2.1 | 87,764 | 8.5 |
| 1976-77 | 721,989 | 65.7 | 222,983 | 20.3 | 42,150* | 3.8 | 20,623 | 1.9 | 91,820* | 8.4 |

Sources: All figures except those marked with asterisk were obtained from U.S. Bureau of the Census, State Government Finances in ( ) (Washington, D.C.: U.S. Government Printing Office) for the years indicated. All other figures were obtained from the following: Virginia Highway and Transportation Commission, "Financial Supplement to the Seventieth Annual Report" (Richmond, 1978); Virginia State Compensation Board, Annual Report 1976-77 (Richmond, April 1978); Virginia State Department of Corrections, Annual Report 1976-77 (Richmond, n.d.); and Virginia State Department of Health, information presented to the Commission on State Aid to Localities, August 12, 1977.

## State Aid Versus Expanded Local Taxation Powers

An alternative to state aid is to provide localities with greater taxing powers. At present, the only major sources of local tax revenue without state restrictions are real and personal property taxes. State laws limit taxes on sales, utility services, and business gross receipts, all of which are important sources of local revenue. Furthermore, the state prohibits localities from imposing local income taxes. If localities were permitted greater use of some or all of these tax sources, their enhanced taxing power would reduce the need for state aid. On the other hand, if one of the purposes of state aid is to redistribute resources, then providing local governments with greater taxing powers may be counterproductive.

## Revenue Sharing

Most of the state aid in Virginia has strings attached since it is for use in some particular function or program. The only major exception is profits from the state-run liquor stores, which are distributed with no spending restrictions. The 1 percent local option sales tax, which has been universally adopted, might be considered another exception. (Although considered a local tax, it is quite similar to revenue sharing, with the distribution determined by place of sale.) If state revenue sharing were increased significantly, it would probably be in the form of shared sales or income taxes. The advantage of such sharing is that localities would be free to determine the allocation of the funds. However, such freedom might be considered a disadvantage by interest groups attempting to alter local spending in favor of their preferred programs.

## Design of Formulas

A major problem with any type of state aid is the development of a "fair" or "equitable" formula. While terms such as "fairness" and "equity" are used frequently, there are no objective criteria to fit them; and what may appear fair or equitable to one group may be considered highway robbery by another. Some formulas are quite simple and are tied to only one variable, such as population or lane miles of streets. Other formulas are more complex and attempt to measure a number of factors, such as local fiscal capacity, tax effort, overall spending effort, need, and costs. The selection of what factors to incorporate and how to measure them is ultimately a political decision.

## Sources of State Revenue to Finance Additional Aid

State aid cannot be discussed without considering the source of the dollars to be distributed. Except for federal pass-through money, state aid consists of dollars raised from Virginia taxpayers. The major types of state taxes are those on income, general sales, and motor fuel. Any expansion of state aid requires new taxes, unanticipated surpluses, or a restructuring of spending priorities.

## Unpredictability of Level of Funding

Since state aid makes up a large share of local budgets, local governments are concerned about the unpredictability of the level of funding. In most cases, the level is dependent upon state biennial budget appropriations and the need, if any, for cutbacks due to shortfalls in state revenues.

## Responsiveness of Aid to Changes in Prices and Other Variables

Some types of state aid are automatically indexed for inflation since they generally increase as the dollar falls in purchasing power. Examples are the local shares of the state sales tax and the wine tax. In contrast, most forms of state aid do not rise automatically but must be adjusted through legislative action. Failure to adjust fully for inflation results in a decrease in state aid when measured in dollars of constant purchasing power. Formulas usually do adjust for changes in client populations. Thus, the basic state school fund, for example, is keyed to the actual number of public school students in a locality. If the number of students declines, then total aid drops; this can cause difficult budget problems until the local government can adjust its educational program to meet the reduced requirements of a smaller number of students.

## Multiplicity of Aid Programs

There are many different aid programs, each with its own special characteristics. The aid programs that include substantial federal pass-through money must be kept separate in order to comply with federal requirements. Consolidation, to the extent possible, would simplify budgeting and administration. On the other hand, the variety of programs now in existence assures that not all formulas have the same bias. Under the present heterogeneous system, localities are less vulnerable to consistently unfavorable outcomes.

## Priority Given State Aid Programs Versus Other Uses of State Funds

State aid is one use of state revenues and must compete with other programs. Some observers of the state budget process feel that state aid programs, particularly those involving general support or shared revenues, are at a disadvantage in relation to other state expenditure programs because the budget makers have a natural bias toward those that benefit state agencies.[2] On the other hand, it could be argued that the state agencies dispensing state aid are eager proponents for their local government constituencies and that the interests of local government are also well represented by the General Assembly.

## Types of State Aid

The state government has three tools at its disposal for dispensing aid to the local governments: (1) grants, (2) shared revenues, and (3) direct provision of services. Each of these methods has its advantages from the viewpoint of both the state government and the local governments.

### Grants

Grants are the most widely used method of providing state aid, and the one through which the majority of aid flows. Grants are of two major types: general grants, which are unrestricted awards, and categorical grants, which are restricted to specific programs. A third form of grant, the block grant, has just recently come into use, mainly at the federal level. The block grant is a sort of hybrid, drawing characteristics from both general and categorical grants. It is similar to a categorical grant in that the money must be used for one purpose, but it is like the general grant in that, instead of being awarded for only one specific program, the money can be spent on one or more of many acceptable programs serving the same broad function. The choice is left to the local government.

Historically, categorical grants have been the most commonly used, and they continue to account for the largest amount of dollars. From the state government's point of view, categorical grants provide the greatest advantages. They can be developed in response to a particular problem, and the money can then be targeted to the problem area. There is little or no risk that the aid will be rerouted by the local government. An additional advantage is that

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[2]For a good presentation of this argument, see Virginia Revenue Resources and Economic Commission, Local Fiscal Issues: A Staff Report (Richmond, 1977), pp. 71-76.

categorical grants normally require local matching funds, and local participation tends to increase the fiscal responsibility of the local governments in their administration of the program. The advantage to local governments is that the size of categorical grants is relatively predictable and so the governments can plan accordingly.

General grants have increased in frequency and importance in the last few years, although mainly at the federal level. Local governments receive the majority of benefits from general grants. First, general grants provide greater flexibility in implementing programs of high local priority; a local government is able to allocate the money to the area in which it feels the greatest need exists. Second, the money is provided at no cost to the localities. The state benefits from the use of general grants by a reduction in administrative costs.

Block grants provide the advantages of both categorical and general grants. Assistance can be targeted by the state to general problem areas, but local officials can still have some degree of flexibility in deciding exactly how and where the money will be spent. Matching provisions also can be included, and administrative costs can be reduced by grouping similar categorical grants into one block grant.

Categorical grants are the major form of state assistance to local governments. In Virginia in 1976-77, categorical grants were the major, if not the only, source of state aid for every program but general local government support; categorical state aid grants totaled approximately $950 million. As of 1976-77, no state aid was allocated by general or block grants.[3]

There are four variations of categorical grants--formula, reimbursement, project, and incentive--and all are currently used by the state. Formula grants are the most common grants programs and account for the largest amount of aid dollars. Aid is allocated among participating localities (usually all of them) by a formula that attempts to adjust the aid received by either one or a combination of three measures: need, ability-to-pay, and tax effort. The basic school fund is allocated by formula grant, as are the health and, as of 1978-79, the mental health and mental retardation aid funds.[4] Formula grants accounted for roughly $850 million in 1976-77.[5]

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[3]It is possible to consider some of the categorical grants for education as block grants since the money is not targeted to any specific area; e.g., salaries, transportation.

[4]Mental health and mental retardation money is not recognized as aid by the U.S. Bureau of the Census, and as such, has not been included in Table 1.1.

[5]Estimates of the extent of the four types of categorical grants are drawn from Table 1.1.

Reimbursements are payments for the local provision of what are basically state or general government functions. Examples of activities financed by reimbursements are services performed by a locality for the state or salaries of state officials paid by the locality. The state operates a number of reimbursement programs, one of the largest being state assistance for salaries and expenses of constitutional officers. Another large reimbursement program is state payments to localities for confinement of state prisoners in local facilities and other correctional programs. Reimbursements totaled about $60 million in 1976-77.

Project grants are assigned on the basis of program proposals submitted by the local governments. The state makes money available for specific purposes, and those localities that can and will meet state requirements receive a portion of the available funds. Mental health and mental retardation program assistance was, until 1978-79, allocated on a project basis, as is aid for local hospitals and airports. Approximately $20 million was allocated by project grants in 1976-77.

Incentive grants provide assistance to localities that are operating programs at a higher level than is mandated by the state. Only one incentive grant program is presently in operation; this program provided 5 percent of a locality's expenditure on education over the state-mandated standard of quality figure, up to a maximum amount. In 1976-77, incentive grants accounted for approximately $7 million.

While the majority of state aid from grants-in-aid is composed of state money, a sizable portion is federal pass-through money. Federal aid is largely provided on a categorical grant basis. As of 1976-77, federal pass-through monies, $255 million, accounted for approximately 23 percent of total state aid. Education and public welfare were the major dollar recipients.

## Shared Revenue

The second tool available to state governments to dispense aid is shared revenue. Shared revenue is comprised of tax revenues, fees, and profits from various state operations which are returned to the local governments. The money can be returned to the localities on a point-of-origin basis, or it can be allocated among the communities with the intent of equalizing fiscal capacity. In many ways shared revenue is like a general grant. Often no restrictions are placed on the use of the money, and there is no cost to the local governments, in terms of a required match. Unlike grants, shared revenues are tied to specific sources of funds, a fact that makes shared revenues an unstable source of local income if the revenue source varies with economic conditions. The advantages of shared revenues are that the local officials can decide how to use the assistance, while state officials can allocate money on an equalizing basis, thereby providing assistance to those parts of the state with the greatest need.

In 1976-77, $162 million in state aid allocated to the localities was drawn from shared revenues.[6] The bulk of this, $142 million, was derived from the state sales tax, which by law is distributed to the localities to finance local schools.[7] The remaining shared revenues, the major part of which is Alcohol Beverage Control Board (A.B.C.) profits, are allocated to the localities for general government support.

Direct State Provision of Services

Direct state provision of services is the third method of providing aid to local governments. The state undertakes the complete financing, or partial financing with some local contribution, of those services customarily considered local government functions. The state also usually assumes complete administration of the services. One of the best-known examples in Virginia is in the realm of law enforcement. The Department of State Police provides services to local governments (particularly counties) that would otherwise have to be provided by the local sheriff's office. In such cases, state funds expended to benefit the local governments never flow through local accounts; furthermore, in those cases in which localities contribute a share of the program costs, the funds flow from the local to the state level. The advantage to the state of this method is the guarantee that state priorities will be met. Localities benefit through the reduced burden on their taxable resources, but in return they lose the ability to control the services offered in their community.

Arriving at a figure for state assistance to localities from the direct provision of services is difficult because of the problem of determining exactly which services traditionally are considered to be local government functions. Any figure given for this category would have to exceed $400 million. In 1977-78, state highway expenditures on behalf of localities, excluding grants, exceeded $300 million, and the state's share of teacher fringe benefits equaled $79 million. These are just two of the major assistance programs. In the 1978-80 biennium budget, approximately $2 billion per year is allocated for "programs benefiting localities."[8] Of this amount,

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[6] Comprised of the state sales tax, A.B.C. profits, wine tax, excess fees of clerks, motor carrier rolling stock tax, and boxing and wrestling tax.

[7] This tax is not to be mistaken for the 1 percent local option sales tax.

[8] Commonwealth of Virginia, Budget 1978-80, Vol. 1 (Richmond, 1978), pp. A-14, A-15.

$1.5 billion, at most, is comprised of grants and shared revenues (nearly a 50 percent increase since 1976-77), leaving approximately $500 million a year as state aid from direct provision of local services.

## Definition of State Aid and Problems of Measurement

In any discussion of state aid, one problem that must be faced is how the term is to be defined. The most frequently used definition of state aid (intergovernmental expenditure) is that of the U.S. Bureau of the Census, which defines intergovernmental expenditure as "Amounts paid to other governments as fiscal aid in the form of shared revenues and grants-in-aid, as reimbursements for performance of general government activities and for specific services for the paying government (e.g., care of prisoners and contractual research), or in lieu of taxes."[9] Such a definition excludes the third category of state assistance, direct state provision of services; monies benefiting localities but not flowing through local accounts are not recognized as state aid. Throughout this monograph, except where noted, this census definition of state aid is used.

No matter which definition of state aid is used, however, problems of measurement still arise; the two definitions each have unique as well as common problems. As previously stated, one problem in establishing the extent of state assistance from state provision of traditionally local services is determining what is a traditional local service. For example, the provision of local roads is customarily a local responsibility, so the state's assumption of the responsibility for the secondary road system can be considered a form of state aid. But a problem arises in determining how to classify state expenditures on primary and arterial roads. Are the services provided by a system of primary and arterial roads restricted to such a degree that the local government would provide the roads in the absence of the state government? Or are the services provided extremely general, benefiting the state as one unit rather than many individual units and thus a state responsibility?

Changes in the method of funding a program can also create measurement problems. Does the state aid previously provided to a program through shared revenues or grants suddenly cease to be state aid if the program is now funded by the state through direct payments to recipients? Conversely, when the funding method changes from direct state payments to local pass-through monies, has state aid increased? These are some of the difficult questions raised by changes in funding. A recent example of this problem is aid for dependent children (ADC) welfare payments. Through 1976-77, ADC payments flowed through

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[9] U.S. Bureau of the Census, State Government Finances in 1976, GF 76 No. 3 (Washington, D.C.: U.S. Government Printing Office, 1977), p. 62.

local accounts and were considered aid to local governments; since then, however, payments have been made directly by the state to welfare recipients. Is it correct to say that state aid has fallen by the $140 million in ADC payments, a figure representing 63 percent of total state welfare aid?

Another measurement problem arises when aid is provided to special districts and commissions not counted as general governments. Such districts and commissions exist for well-defined purposes and frequently are not a part of any local government or the state government. Because of the nebulous nature of these governmental entities, the nature of the state funds provided for their operation is also vague. Should these entities be considered as local governments and the monies categorized as state aid since the areas served are less than statewide? Or should they be classified as agencies of the state engaged in that form of aid known as direct state provision of services? Examples of the special districts and commissions are numerous, two major one being local transportation commissions and mental health districts.

## Distribution of Aid

Virginia's counties were the major beneficiaries of the $1 billion in state aid in 1976-77. Approximately $616 million, or 56 percent of the total aid (including the federal pass-through), was allocated to the counties, with the cities receiving the remaining $484 million.[10] Per capita, the counties received $198 in assistance, and the cities received $238; statewide, per capita aid equaled $214.

The staff of the Revenue Resources and Economic Commission has developed data for 1975-76 on state taxes paid and aid received by locality.[11] No federal pass-through money was included, and various taxes and highway funds were excluded because figures were not available on an individual locality basis. For this study the commission's data were adjusted so that aggregate collections would equal aggregate aid payments; this was done in order to focus on the tax dollar cost for each dollar of aid received. The resulting figures for each city and county are presented in Appendix Table A.1.

During 1975-76, the taxpayers of Williamsburg paid five times as much in taxes to the state as they received in aid. They paid $5.21 in taxes for each dollar of aid, the highest ratio in the Commonwealth. On the other hand, the

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[10] Shares are based on percentage share of intergovernmental aid received by counties and municipalities as reported by the U.S. Bureau of the Census, State Government Finances in 1977, p. 42.

[11] Virginia Revenue Resources and Economic Commission, Local Fiscal Issues, pp. 6-13, 133-37.

taxpayers of Charles City County received the most return on their tax dollars, paying only 24 cents for each dollar of aid received (see Appendix Table A.1). The figures for Williamsburg and Charles City show a ratio of 22 to 1. However, this high ratio may be due to Williamsburg's large tourist industry, which resulted in a 1975 per capita sales tax revenue 50 percent greater than the next highest locality.[12] If this is so, then the cost of a dollar of aid to Williamsburg is really much less, since a significant amount of its tax burden is shifted to nonresidents. In addition, unavoidable problems of measurement, such as inaccurate geographic coding of tax returns, may have further widened the range. If the top and bottom 10 percent of the localities are removed, the ratio is reduced to 4 to 1, covering a range from $1.57 to $0.37 (see Table 1.4). For counties, the range was from a high of $2.52 to a low of $0.24, a ratio of 10 to 1. For cities, the tax burden ranged from a high of $5.21 to a low of $0.58, a ratio of 9 to 1.

Statewide, the unweighted average tax burden per dollar of aid was 92 cents. The counties received considerable subsidization from the cities, paying on the average only 68 cents in taxes for each dollar of aid as compared to $1.57 for the cities. This represents a net transfer of $34.5 million from the cities to the counties. Weighted averages equaled 93 cents for the counties and $1.11 for the cities.

Thirty-eight localities--eleven counties (12 percent of all counties) and twenty-seven cities (71 percent of all cities)--paid out more in taxes than they received in aid. Following Williamsburg in taxes paid per dollar of aid were Falls Church, Harrisonburg, Arlington County, Fredericksburg, Winchester, Alexandria, and Fairfax City, each paying more than $2.00 per aid dollar (see Appendix Table A.1). In total these thirty-eight communities paid in $438.5 million and got back only $282.8 million, a net transfer of $155.7 million. These localities accounted for 54.7 percent of the taxes paid but only 45.6 percent of the total population.

The recently adopted version of House Bill 599 will increase state assistance by approximately $70 million beginning in 1980-81.[13] The majority of this additional assistance will be received by sixteen localities--eleven cities and five counties--each receiving $1 million or more in additional aid. Of these sixteen only two, Arlington and Alexandria, paid more than $2.00 per aid dollar in 1975-76. House Bill 599 should improve the relative position of the cities, which will receive the majority of this $70 million, but only in a minor way.

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[12] Information provided by the Virginia Department of Education, January 17, 1978.

[13] Richard W. Hall-Sizemore, "Estimated Fiscal Effect of HB 599--Increased State Aid for 1980-82 Biennium, by Locality," unpublished report of the Virginia Division of Legislative Services, March 1979.

Table 1.4

Distribution of State Taxes Paid in Localities Per Dollar of State Aid Received, 1975-76

| Amount of Taxes Paid Per Dollar of Aid | Number of Localities | | Percent of Total | Cumulative Percentage |
|---|---|---|---|---|
| | Counties | Cities | | |
| $0.24-0.49 | 30 | 0 | 22.5 | 22.5 |
| 0.50-0.74 | 36 | 4 | 30.1 | 52.6 |
| 0.75-0.99 | 18 | 7 | 18.8 | 71.4 |
| 1.00-1.24 | 7 | 6 | 9.8 | 81.2 |
| 1.25-1.49 | 1 | 8 | 6.8 | 88.0 |
| 1.50-1.74 | 1 | 5 | 4.5 | 92.5 |
| 1.75-5.21 | 2 | 8 | 7.5 | 100.0 |
| | 95 | 38 | 100.0 | |

Exhibit:

| Mean | Weighted | Unweighted |
|---|---|---|
| All localities (133) | $1.00 | $0.92 |
| Counties (95) | 0.93 | 0.68 |
| Cities (38) | 1.11 | 1.57 |
| Range (all localities) | $0.24-$5.21 | |
| Range (excluding top and bottom 10 percent) | 0.37-1.57 | |

Source: Derived from Virginia Revenue Resources and Economic Commission, Local Fiscal Issues: A Staff Report (Richmond, 1977), pp. 133-37.

## Measures of Local Fiscal Capacity and Effort

Since several of the existing aid formulas and many of the proposals for change incorporate measures of fiscal capacity and effort, it is appropriate to review some of the broad measures of these concepts.[14] The

[14] This section draws liberally from work performed in 1973 by one of the authors (Knapp) for the Revenue Resources and Economic Study Commission.

measures discussed in this section have been limited to those that are available annually. Less frequently available data, such as the decennial census measure of median family income, have been excluded since timeliness is an important requirement for up-to-date measures of fiscal capacity and effort.

## Local Fiscal Capacity

Local fiscal capacity or ability-to-pay is a measure of the ability of a local government to obtain resources for public purposes. The economic well-being of a community's residents only partially determines the financial capability of their local government, since business activity also has an effect. For example, a locality with the property tax base provided by a big power generating plant may have a fiscal capacity quite large relative to the incomes and property values of the resident population.

Four different measures of fiscal capacity are explained in the following discussion. (See Appendix Table A.2 for application of these measures to each of the cities and counties.) Two of them, true value of real estate per capita and personal income per capita, are traditional measures. As alternatives, two additional measures have been included: (1) the per capita composite index of local ability-to-pay that is used in the formula for distribution of basic school aid in Virginia and (2) computed revenue capacity per capita.

Standardizing by resident population is a method commonly used to make data for different-sized localities comparable, and it has been used for the four capacity measures. However, the population used to standardize the different measures may not always be representative of the population receiving a full range of governmental services. Most affected by such considerations are localities with military bases and colleges.

True Value of Real Estate Per Capita. This measure recognizes that real estate is the most important source of local revenues, accounting statewide for 45 percent of all local revenues. However, caution should be exercised in using real estate as the sole measure of capacity since it does not represent all locally raised revenues and, in many cases, is not a good predictor of other revenue bases. Furthermore, the relative importance of real estate taxes varies, ranging from 21 percent of total local revenues in Buchanan County to 75 percent in King and Queen County.[15] As a rule, the real property tax tends to be relatively more important as

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[15] Virginia Revenue Resources and Economic Commission, The Taxation of Real and Personal Property in Virginia (Richmond, 1978), pp. 85, 87-89. The real property tax includes public service corporation property.

a revenue source in rural areas since they lack the variety of sources and commercial revenue bases available in urban areas. The state average true value of real estate per capita was $15,557 in 1976. The state median was $14,086, and the range 11 to 1--with the high represented by Surry County, the location of a large nuclear generating plant, and the low by the city of Manassas Park, a residential community with little commercial or industrial property.

Personal Income Per Capita. Although Virginia counties and cities are prohibited from taxing income directly, personal income can be used as a general measure of ability to pay other taxes and nontax charges. One limitation of this approach is that sole reliance on income as a measure of capacity understates tax bases not locally owned. The existence of a large public service corporation would not be reflected by an income measure, despite the fact that it would represent a major tax base. In 1976, the statewide average personal income per capita was $6,298 and the median was $5,027. The range was 4 to 1, with the high represented by the city of Falls Church and the low represented by Greensville County.

Composite Index Per Capita. A major portion of state aid for public schools is distributed on the basis of a formula that incorporates this measure. The composite index per capita is derived by weighting true value of real estate 50 percent, personal income 40 percent, and local sales tax collections 10 percent, summing them, and then dividing by population. The formula was designed to give a crude approximation of the tax base available to a locality. Although income is not locally taxable, it was included as a proxy for taxes such as those on utility consumption and personal property, and nontax revenues from charges, fees, and fines. The 50-40-10 weights were based on state averages and thus result in some distortion in those localities in which the weighting of the components of the actual tax base differs significantly from the state averages. The index for the 1978-80 biennium (state average = 100) ranged in value from 313.78 for Surry County to 51.32 for Lee County, a 6 to 1 ratio. The median value was 89.72.

Computed Revenue Capacity Per Capita. This measure is based on the Advisory Commission on Intergovernmental Relations "average effort" approach.[16] To compute this measure, first each major tax base in a locality is multiplied by the statewide average effort. For the figures given in Appendix Table A.2, the true value of real estate was multiplied by $.0094, and personal income, a proxy for nonproperty and nonsales taxes and other revenues, was multiplied by $.017885. The number of motor vehicles, as a

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[16] Advisory Commission on Intergovernmental Relations, Measuring the Fiscal Capacity and Effort of State and Local Areas, Report M-58 (Washington, D.C.: U.S. Government Printing Office, 1971).

proxy for personal property tax, was multiplied by $47.501. The resulting products are added to local option sales tax collections to obtain computed revenue, which is then standardized by dividing by population. This measure gives a more balanced picture of local fiscal capacity than a single measure such as true value of real estate or personal income; and, unlike the composite index, the measure adjusts for local variation in the relative importance of the various tax bases. The state average revenue capacity in 1976-77 was $313.26 per capita, and the median was $287.26. The range from highest to lowest locality was 5 to 1, with Surry County the highest locality and Lee County the lowest.

Summary. To test the degree to which the various measures of capacity are interrelated, simple correlations among pairs of capacity measures were computed. The measure of association is the simple correlation coefficient (Pearson's r), which can range from -1.0 (perfect negative relationship) through 0.0 (no relationship) to 1.0 (perfect positive relationship). The results expressed as $r^2$ values are show below (all of the measures are per capita measures):

| | Real Estate True Value | Personal Income | Composite Index | Computed Revenue Capacity |
|---|---|---|---|---|
| Real estate true value | 1.000 | | | |
| Personal income | .012* | 1.000 | | |
| Composite index | .744 | .288 | 1.000 | |
| Computed revenue capacity | .744 | .279 | .934 | 1.000 |

All values except the one marked with an asterisk were significant at the .01 level. The results show that composite index per capita and computed revenue capacity per capita are closely related ($r^2$ = .934). This is not surprising since the two are quite similar in concept. Of the single measures of capacity, true value of real estate per capita and personal income per capita, the former is a much better predictor. Furthermore, these two variables are not closely correlated since their $r^2$ was only .012 (not significant at the .05 level). Two explanations are possible for this low $r^2$. First, while the true value of residential real estate may be highly correlated with personal income, the true value of real estate also includes data for other property such as public service corporations and commercial and manufacturing concerns, which may be uncorrelated. Secondly, differences between counties and cities may result in a low $r^2$. Counties will tend to have low personal income since they are sparsely populated and have an agricultural economic base. True value of real estate, on the other hand, will tend to be high due to their large land area. Cities will tend to have both a high level of personal income and a high true value of real estate since they are densely populated and have a broad economic base. If treated as separate samples, the $r^2$ between true value of real estate and personal income increases for counties to .230 (significant at the .01 level), and to .754 for cities (significant at the .01 level).

## Local Fiscal Effort

Effort measures are generally obtained by relating revenues raised from local sources to fiscal capacity. A measure of fiscal effort gauges how much of a community's fiscal capacity is being used.

Five measures of local fiscal effort are shown in Appendix Table A.3. Three of the measures--Revenues from Local Sources Per $1,000 of True Value, Revenues from Local Sources Per $1,000 of Personal Income, and Revenues from Local Sources Per Capita Divided by Computed Revenue Capacity Per Capita--relate revenues from local sources (excluding state and federal aid) to the capacity measures already developed. Also included are Revenues from Local Sources Per Capita and the True Tax Rates on Real Estate.

The figures for revenues from local sources exclude those of incorporated towns since they are not reported by the State Auditor of Public Accounts. Inclusion of town revenues would have increased total county revenues from own sources by about 3 percent.[17] (The impact for individual counties containing incorporated towns would have been relatively larger.)

Revenues from Own Sources Per $1,000 of True Value of Real Estate. This measure relates locally raised revenues to a single revenue base, the true value of real estate. The logic for this approach is the predominance of the real estate tax base in most local revenue bases. Nonetheless, as already mentioned, a great deal of diversity can be found within Virginia in the relative importance of the real estate tax. The state average effort for this measure was $20.14 per $1,000 of true value, and the median was $11.16. The range was 10 to 1, represented by the city of Richmond ($39.61) and Louisa County ($3.96).

Revenues from Own Sources per $1,000 of Personal Income. Like the previous measure, this one relates locally raised revenues to a single revenue base, personal income, which is used as a general measure of ability-to-pay. The limitations of sole reliance on personal income have already been mentioned. In this case, the state average effort was $50.75 per $1,000 of personal income, the median was $35.28, and the range of 7 to 1 was represented by the city of Martinsville ($118.54) and Bland County ($16.67).

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[17] County revenues from own sources in 1976-77 were $889.5 million, and the increase from including the revenues of incorporated towns would have been about $25.8 million. The town figure is based on 1976-77 adjusted taxes as reported by the Office of Revenue Sharing. See U.S. Department of Treasury, Office of Revenue Sharing, Initial State and Local Data Elements, Entitlement Period 10 (Washington, D.C.: U.S. Government Printing Office, 1978), pp. 403-4.

Revenues from Own Sources Per Capita. This measure is computed by dividing revenue from own sources by population. Per capita figures are frequently used in comparative analyses of revenues, particularly in regard to taxes. A per capita measure standardizes for population but does not recognize differences in tax bases. This measure resulted in a state average of $313.26, a median of $172.86, and a range of 10 to 1, represented by the city of Falls Church ($648.22) and Bland County ($61.76).

Revenues from Own Sources Per Capita Divided by Computed Revenue Capacity Per Capita. This measure provides a comprehensive picture of local effort, and it avoids some of the extremes inherent in the use of other measures. By definition, the state average had an index value of 100. The median index was 58, and the range was from 5 to 1, represented by the city of Richmond (158) and Louisa County (30).

Real Estate True Tax Rate. The true tax rate is often used as the sole measure of local effort, an inappropriate procedure in view of the previous remarks. However, the true tax rates for 1976 have been included in Appendix Table A.3 in order to make comparisons easier. The state average true tax rate was $0.94 per $100, the median was $0.53, and the range was from 9 to 1, represented by the city of Manassas Park ($1.87) and Louisa County ($0.22).

Summary. To test intercorrelation among measures of effort, simple correlation coefficients among pairs of effort measures were computed. The results expressed as $r^2$ values are shown below, using the following abbreviations:

REVTV = Revenues from Local Sources per $1,000 of True Value
REVY = Revenues from Local Sources per $1,000 of Personal Income
REVPOP = Revenues from Local Sources Per Capita
REVCRC = Revenues from Local Sources Per Capita Divided by Computed Revenue Capacity Per Capita
RATE = Effective True Tax Rate per $100 of True Value of Real Estate

| | REVTV | REVY | REVPOP | REVCRC | RATE |
|---|---|---|---|---|---|
| REVTV | 1.000 | | | | |
| REVY | 0.417 | 1.000 | | | |
| REVPOP | 0.594 | 0.582 | 1.000 | | |
| REVCRC | 0.911 | 0.624 | 0.729 | 1.000 | |
| RATE | 0.788 | 0.369 | 0.630 | 0.776 | 1.000 |

All values were significant at the .01 level. The results show that Revenues from Local Sources per $1,000 of True Value (REVTV) and Revenues from Local Sources Per Capita Divided by Computed Revenue Capacity Per Capita (REVCRC) are highly correlated ($r^2 = 0.911$), a somewhat surprising result since REVCRC is a much more comprehensive measure of effort. Given its simplicity, Effective True Tax Rate per $100 of True Value of Real Estate (RATE) has a fairly high correlation with several other measures of effort.

In conclusion, the answer to "how much fiscal effort is made by a locality?" depends on the measure used, as well as the efficiency of local government and the preference of the local population for governmental services. If a single measure must be chosen, the most preferred is Revenues from Own Sources Divided by Computed Revenue Capacity (REVCRC).

## CHAPTER 2

## POINTS OF DEBATE CONCERNING STATE AID

While state aid to local governments is a large and growing part of total state expenditures, it is by no means an area in which the state's involvement is completely accepted. Debate continues about whether state aid is beneficial or whether it creates or exacerbates problems at the local level. In this chapter the major arguments generally cited both for and against state aid are listed and explained. Since the arguments are drawn from many sources, those on the same side of the issue may not be consistent with one another.

### Arguments for State Aid

#### Equalization of Service Quality

One of the major arguments advanced by proponents of state aid is the need for equalization in the quality of services provided to residents of Virginia localities (dollar expenditure being the measure of quality most commonly used). If complete equalization is not possible, then at least there should be less than the present disparity in quality, with established minimum levels. Due to the disparity between the need for services and the fiscal capacity available to provide them, the quality of programs does vary, both within a given locality and between localities. Across the state, the effort required to meet the localities' needs may differ greatly. State aid to local governments can provide the means to bring local financial resources in line with local needs. State funds enable local units to meet minimum quality requirements or to equalize program quality levels.

State aid can also compensate for inequalities in service levels due to differences in costs from one locality to another. Fiscal capacity and need measured in nominal dollars may be equal for two units but, if there are significant differences in costs, equal nominal expenditures would in fact result in unequal levels of service. State aid can adjust for this by directing more aid to high cost areas.

State funds can also adjust for disparities in service quality created by differences in the number and type of demands made on local governments. Urban governments are expected to provide a wider range and a more intense

level of services than are their rural counterparts. The revenue dollars of urban governments are spread over many more programs than those of rural localities, and greater pressure is placed on the urban tax base; consequently, urban tax effort must be greater than rural tax effort to achieve the same service levels for programs common to both localities. State aid can help to relieve this "municipal overburden."

Finally, communities vary in their abilities to shift taxes to nonresidents. "Bedroom" communities have little or no ability to shift their tax burden, while communities that house public utility or manufacturing facilities or are centers of trade or tourism can shift or "export" a major portion of their taxes to nonresidents. The latter communities are able to raise large amounts of revenue at little direct cost to their citizens; state aid can shift some of this burden back to these communities by reducing their level of aid.

Equalization of service quality is a laudable goal, but it is not without its problems. The first problem is defining equalization. Many different definitions are possible, including:

1. A uniform amount per program unit; e.g., per eligible person or per capita, depending on the type of program.

2. An amount that will foster equal program levels (equal program levels themselves being subject to various definitions); e.g., pupils per teacher, policemen per 10,000 population.

3. An amount designed to raise program levels to an established norm, e.g., state average, formula-derived norm.

4. An amount that will take into account and smooth out differences in fiscal capacity and effort.

A second problem is determining the measure of quality to be used. At present, the most commonly used measure is dollar expenditures, but is that the proper measure? Using dollar expenditures as a measure of quality places the emphasis on the program inputs when perhaps program results should be the primary concern. Education best illustrates this problem. First, program participants do not all have the same needs. While equal dollar expenditures may offer every child the same opportunity to attain the maximum in educational benefits, many are unable to fully exploit this opportunity. Two children of equal ability and motivation, but with different socioeconomic backgrounds, may attain very different educational performance levels. Equal dollar expenditures do little to compensate for an unfavorable background. Equalizing output (education performance levels) may require unequal dollar expenditures. Secondly, the wants of program participants are not necessarily the same. As an illustration, consider two communities of equal school age population. One emphasizes a college preparatory program, and the other stresses vocational training. The costs of providing the desired education in each case will differ considerably, and equal dollar expenditures may not be necessary when different goals are desired.

Even if dollar expenditures prove to be, if not the ideal measure, the best available measure, problems with an equalization goal still exist. At what expenditure level is equalization set? If too high a level is set, a cost problem results. The public's unwillingness to be taxed at the necessary rate may make the required resources unavailable. If too low a level is set, no real equalization may occur because communities with sufficient resources may increase their spending above the equalizing level. To have real equalization at a low level, those with such resources must be prevented from using them, a solution that limits local self-determination.

## Program Externalities

A second argument for state aid derives from the fact that many programs financed by local governments have externality or spillover characteristics. The two exhibiting the most external effects are education and welfare. Education produces benefits that extend beyond the community boundaries in a variety of ways. If one assumes that an educated individual provides benefits to those who engage his services or otherwise come into contact with him, then the benefits will become external when the individual leaves the locality in which he was educated; those who paid for his education are no longer receiving the benefits, while his employer or others in his new community are receiving a costless external benefit. The potentially greater productivity of an educated individual is a second source of external benefits. Greater productivity means a greater tax base for the local, state, and federal governments, which can result in either lower taxes, more or better programs, or both.

Welfare benefits provided to needy persons may reduce malnutrition, lower the crime rate, lessen the number of beggars, and provide greater social and political stability. These are benefits in which all society shares, and society should bear the cost. However, a disproportionate share of the burden is borne by those localities offering the most welfare assistance. Localities offering liberal benefits attract recipients from less generous communities and suffer a necessary increase in government expenses and tax effort. Consequently, communities are hesitant to offer liberal welfare assistance for fear of an influx of recipients. In fact, an incentive exists to cut aid and let other communities bear the burden.

If the financing of education and welfare is left to local governments relying exclusively on local tax revenues, the programs may be operated at a less than optimal level. Since they receive costless external benefits from the programs, those who reside elsewhere may prefer to have a locality provide higher levels of services than its residents may be willing to pay for. Residents have no incentive to increase service levels since they must bear the full financial burden yet do not get all the benefits, and nonresidents have no incentive to bear any of the costs since they receive some benefits regardless. This outcome is referred to as "the free rider

problem" by students of public choice theory. State aid can spread the burden to all beneficiaries and ensure program levels consistent with the sum of local and nonlocal preferences.

While it is widely accepted that many public programs do provide external benefits, some problems arise when these benefits are the justification for state aid to local governments. First, it is necessary to identify recipients of the external benefits (or external costs) if the recipients are not the general public. Unless the recipients are properly identified, they cannot be properly taxed to cover their share of the costs. If the general public is taxed, this may result in subsidization of the benefit recipients. Such an occurrence may or may not be desirable, depending on general public preferences. The second problem is measuring the value of the external benefits received, which would determine the taxes that must be paid. If an individual is not taxed according to the value of the benefits received, some subsidization will occur, which may not be desirable.

Each of these problem is of the type that is impossible or prohibitively costly to solve, yet without this knowledge a completely efficient state aid program cannot be developed. Any program runs the risk of either underfinancing or overfinancing and of subsidizing those whom, for whatever reason, society has no desire to support.

## State Administration of Taxes

A state-local relationship that excludes state aid would require greater tax authority at the local level. Proponents of state aid argue that this would result in a number of ill effects that are avoided with a state tax administration and state aid system. First, greater local tax authority would result in less revenue being available for local programs. This argument is founded on the assumption that local administration of taxes is less efficient than state administration; the net revenue raised by a state system, when adjusted for collection costs, would exceed that collected by a multitude of local systems for any given tax rate. The most obvious support for such an argument is that economies of scale may exist in tax collection. One possible economy of scale under a state system would be the avoidance of duplication entailed in a locally administered system. A state-run tax system might require fewer units of input (e.g., personnel, office space) per unit of output (tax dollar).

A state-administered tax system would avoid the inefficient allocation of economic activity that a local system may produce. Economic activity is not restricted by political boundaries; thus, the institution of local tax systems could adversely affect the distribution of economic resources. Workers and businesses may be taxed on the same base both in the locality in which they reside and in the locality in which they sell their product. To avoid this double taxation there may be a reallocation of resources that would be less than socially efficient.

An additional argument against local control of the tax system involves the influence that a prevailing community tax rate has on business to settle or to stay in an area. This influence is considered to be greater at the local level than at the state level; taxes play only a small role in the choice of the most suitable region in which to locate, but a much larger role in the choice of a particular area within that region.[1] Thus, local authorities have an incentive to keep taxes low, but in doing so they necessarily keep the level of services provided low. What tends to arise is tax competition among neighboring communities; local officials are hesitant to raise tax rates much above those of neighboring localities for fear of losing potential or existing business. Since state taxes play a lesser role in a business's choice of location, placing taxation powers at the state level and thereby increasing the reliance on state financing of local programs would diminish this particular influence and the resulting tax competition among localities.

The potential lack of standardization in the system offers a further argument against local control. Evidence to support this argument can be found in the administration of the property tax, for which both the tax rate and the quality of assessment vary considerably among localities. State administration would lend some form of order to the system by establishing statewide rates and uniformity in assessment.

The fact that local tax instruments are more regressive than those used by the states is another reason to oppose local control of taxes. Under local control, taxes would bear less of a relationship, if any at all, to ability to pay. State control of taxes would increase the degree of equity in the tax system.

## Divergence of State and Local Spending Priorities

Divergence of local spending priorities from state spending priorities (assuming that state priorities reflect preferences of the majority of the state's population) is the basis for the fourth argument for state aid to local governments. State aid can induce localities to give precedence to state-preferred programs. A local government develops its spending programs according to its perception of the community's wants, which may or may not coincide with those of the state population in general. State aid can brign about a restructuring of local priorities to bring them more in

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[1] John F. Due, "Studies in State-Local Tax Influences on Location of Industry," 14 National Tax Journal 163-73 (June 1961); and Advisory Commission on Intergovernmental Relations, State-Local Taxation and Industrial Location, Report A-30 (Washington, D.C.: U.S. Government Printing Office, April 1967), Chapter 4.

line with those of the state by effectively altering the cost to local governments of selected programs. In addition, under a locally administered tax system, it would be extremely difficult to redistribute revenue from wealthy to poor areas. Wealthy communities would have no incentive to share their excesses with less affluent localities, nor could they be coerced into doing so. A state tax system would experience fewer difficulties in redistributing revenues; the redistribution process would be out of the hands of those with no incentive to do so.

## Arguments against State Aid

### Separation of Taxation and Spending

Opponents of state assistance for local governments assert that a direct relationship exists between the two government functions of taxation and spending; in general, an increase in one implies an increase in the other (and vice versa). When local government revenues are raised at the local level, the elected officials have an incentive to contain the overall size of local government and to make it more efficient. In this way they fulfill the wants of their constituents while also minimizing the public's tax bill. It is through the actions of local elected officials that taxes are increased; and if these officials fail to provide efficient governmental programs, they risk losing their elective posts.

When state aid becomes a local revenue source, a wedge is driven between the two functions, taxation and spending. The relationship still exists, but its influence is not so strong as when control of both is in the hands of only one level of government. Local officials no longer have as strong an incentive to limit spending programs and to promote efficiency since they do not bear the responsibility for levying the state taxes that pay for them. Local officials are less sensitive to the effect that their state-financed spending has on their constituents' taxes. The fulfillment of the constituency's wants now being the major criterion by which the local officials are elected, an incentive exists to maximize the amount of state aid that can be obtained and spent for programs benefiting their constituents.

### Subordination of Community Preferences

A second argument against state aid is that common community preferences for programs and program service standards may be ignored. According to this argument, a local community consists of people with similar wants; those of a like persuasion tend to seek out one another and form a homogeneous community. One reason they are drawn together is that they expect their elected officials to reflect the community's common preferences in the programs that they administer. When local government is locally financed, it can reflect the community's common wants. In addition, the level of

services provided is only as extensive as the community is willing to pay for. Those with different program priorities are free to choose other communities that better fulfill their wants, given their willingness to pay.

When local revenues are provided by the state, the programs provided are those mandated by state officials and reflect the preferences of the entire state's voting majority. Programs and program service standards that the community does not want may be required, and state taxes may exceed the locality's desire to pay. State financing of local governments restricts the choice of the "consumer" of public services; he can no longer exercise his sovereignty in choosing the programs that best fit his needs.

This argument suffers from two flaws. First, the individual's mobility is not so unrestrained as the argument suggests. Restrictions such as occupation limit many taxpayers to residence in communities offering program packages that they would not have chosen willingly (e.g., coal miners, who must reside in southwest Virginia, or shipbuilders, who must live near Hampton Roads). Exclusionary zoning laws, through minimum lot sizes or other economic requirements, can further constrain an individual's choice of residence. Even assuming that the population had unrestrained mobility, this argument still requires equal ability to pay among all communities. Differences in the programs offered by various localities should reflect only differences in preferences; but with unequal ability to pay, program disparities will be due as much to ability as to preference. Those with the lesser ability are restricted in their choice, as the following comment emphasizes:

> ...so long as the assessed valuation within a district's boundaries is a major determinant of how much it can spend...only a district with a large tax base will be truly able to decide how much it really cares about education [or any other program]. The poor district cannot freely choose to tax itself into an excellence which its tax rolls cannot provide.[2]

Of course, lower economic ability is always a restriction on choice--in the private as well as the public sector. A democratic system is continuously faced with the trade-off between the short-term gains to the disadvantaged from income equalization and the negative long-term impact on all society because of the disincentive effects of any income redistribution program.

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[2]Advisory Commission on Intergovernmental Relations, Financing Schools and Property Tax Relief: A State Responsibility, Report A-40 (Washington, D.C.: U.S. Government Printing Office, January 1973), p. 102.

## Inefficient and Unintended Uses of Aid

The third argument against state aid is that the assistance will not be used efficiently. In the case of shared revenues or general grants, a continuous flow of funds is uncertain. Therefore, local officials are unwilling to invest the money in upgrading ongoing programs that fulfill the greatest need for fear the money will be stopped and the locality will then have to fund the program itself. Instead, the assistance will be used to finance the one-shot programs with the most tangible benefits.

In the case of categorical aid, local officials, attempting to maximize aid, have an incentive to shift local money in the form of matching funds into programs for which state money would also be available. The attractiveness of cheap state dollars (in terms of required matching funds) is an incentive to local officials to purchase nonvital programs since state aid is not always offered in the areas of greatest local need. The officials' concerns are shifted from local government output, the fulfillment of constituents' wants, to inputs of state dollars.

Paradoxically, just the opposite argument is also made for restricting state aid. It is asserted that, because money is interchangeable, rather than being used to upgrade or expand the state's desired program(s), state aid will be used for whatever purposes local officials wish. Because of the nature of shared revenues and general grants, once the money is dispensed it is impossible to ascertain the use to which it was put. Categorical aid technically can be used only for specified purposes, but any "freed" local funds that would otherwise be spent for those purposes can be used as the locality desires. The concern is that the "freed" local money will be used to increase salaries, expand public employment, reduce taxes, or support programs that the state would not wish to subsidize.

Available evidence suggests different conclusions, depending on the type of aid. One study of the impact of general revenue sharing monies on state and local government spending suggests that those fears may be partially correct. This study found that the "principal impact of the program was to expand the capital outlays of local governments, . . . Expansion or maintenance of programs and tax reductions were also cited as major uses of the funds."[3] Depending on the type of capital projects undertaken, some money seems to be going for nonvital projects and tax reductions. In the area of school financing, which is basically categorical aid, studies show that increases in school dollars have been primarily used to expand existing programs.[4]

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[3]F. Thomas Juster, The Economic Political Impact of General Revenue Sharing (Ann Arbor, Michigan: Institute for Social Research, University of Michigan, 1977), pp. 5, 49.

[4]Education Commission of the States, School Finance Reform in the States, 1976-1977 (Denver, December 1976), p. 16.

## Subsidization of Inefficiently Sized Governments

A fourth argument against state aid is that state aid perpetuates inefficiently sized local governments. With local governments, as with all units of production, there are efficient and inefficient sizes. When a company is not the most efficient size, its costs are higher than those of its optimal-sized competitors. Unless the company adjusts, it will be unable to compete effectively and may be driven from the market. In the ideal market, the costs of its inefficiency are ultimately borne by the company only; its competitors are unaffected. The same holds true for a local government that is locally financed. If it is not the most efficient size for providing the services its citizens want, its costs are higher than competing localities. If the citizens do not want to bear these extra costs, they can move to another locality. If the citizens do not move, they alone bear the extra costs; other localities of efficient size are unaffected.

When localities receive state aid, however, the majority of state aid is returned to localities on either a point-of-origin of state revenue basis or according to some mildly equalizing formula; but in all cases, aid is dispensed to every locality regardless of the receiving unit's economic efficiency. Therefore, excess costs of an inefficient unit are not borne wholly by its citizens. Instead, part of the costs are paid by localities of efficient size. The excess costs to the citizens of the inefficient unit are partially subsidized, reducing the incentive that these citizens have to move. By removing the state aid subsidy, the citizens are forced to bear the full cost of their government's inefficiency. This increases the incentive to create the correct-sized unit. This also relieves the burden of subsidization from citizens of efficiently sized governments.

## Unfavorable Cost/Benefit Ratio

A final argument against local governments receiving state assistance is that for some localities it is simply a losing proposition. The generally equalizing nature of state taxes and state aid results in some localities contributing more than their per capita share of the state's revenues and receiving less than their per capita share of the state's assistance. Such localities would be better off if the state provided no assistance; the savings from lower state taxes could be used to increase current service levels or to reduce local tax levels.

# CHAPTER 3

## DESCRIPTION AND ANALYSIS OF MAJOR STATE AID PROGRAMS

This chapter contains a review of the state aid programs for public education, public welfare, and highways. Together, these three functions accounted for nine out of every ten dollars of state aid in 1976-77. Several of the other state aid programs are discussed in Chapter 4.

### Public Education

Aid for public schools is the largest component of state aid in Virginia, accounting for 65.7 percent of state direct aid to local governments in 1976-77. Aid is provided under a variety of programs, each of which is subject to modification at the time a new appropriation bill is adopted. The basic framework for the present aid package was first implemented in 1974-75. At that time it was necessary to adopt a new approach, since the attorney general had ruled that the use of the old basic school aid formula did not conform to the new state constitutional requirements for funding the actual cost of a quality education.[1]

#### The Present Aid Program

In 1977-78, state aid for local education, exclusive of federal pass-through funds, totaled $731 million. Although aid was distributed under a number of programs, three-fourths of that total was paid out in the form of basic school aid and the local share of the state sales tax (see Table 3.1).

Since the basic state school fund incorporates the sales tax in the computation of local aid, the two sources are appropriately discussed

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[1] Barry E. Lipman et al., Fiscal Prospects and Alternatives: 1976, A Staff Report to the Revenue Resources and Economic Commission (Richmond: Virginia Revenue Resources and Economic Commission, 1975), pp. 412-13.

Table 3.1

State Educational Aid to Localities, 1977-78

| | Amount ($) | Percent of Total |
|---|---|---|
| Basic State School Fund | 391,675,816 | 53.6 |
| Local share of state sales tax | 161,079,779 | 22.0 |
| State contribution toward teacher fringe benefits | 79,127,553 | 10.8 |
| Vocational education | 35,819,282 | 4.9 |
| Special education | 25,268,444 | 3.5 |
| Pupil transportation | 19,575,048 | 2.7 |
| Incentive payment | 6,351,417 | 0.9 |
| Other state funds | 11,898,084 | 1.6 |
| | 730,795,423 | 100.0 |

Sources: Virginia Department of Education, Annual Report 1977-1978, (Richmond, 1979), pp. 48, 62. Virginia Department of Taxation, Annual Report 1977-1978, (Richmond, 1979).

together. Under the basic state school fund, each school division is required to spend at least a state-mandated basic operation cost per student in average daily membership (ADM) that will ensure the attainment of standards of quality (hereafter referred to as the SOQ cost). In the present biennium, the SOQ cost for most localities has been set at $901 for 1978-79 and $960 (or 6.5 percent more) in the following year. The basic school fund determines the proportion of the basic operation cost that will be borne by each locality, based on the locality's fiscal capacity as determined by a composite index of local ability-to-pay. The composite index has three components: market or "true" value of taxable real estate, personal income, and taxable retail sales. The three components are weighted 50-40-10, respectively, are standardized with population weighted one-third and average daily membership two-thirds, and then are converted to an index in which the state average equals .5000.

To arrive at the locality's share, first the total cost in the current year is determined by multiplying the actual ADM by the SOQ cost per student. Then, from this total cost, the locality's share of the state sales tax is

deducted as one portion of state aid.[2] The rationale for this procedure is that the sales tax is earmarked for financing public schools.[3] The local share is one-third of the net state sales tax collections and is distributed on the basis of the locality's share of the current statewide school age population.[4] By using school age population rather than public school enrollment, the formula does not penalize localities with poor public school attendance rates or a high percentage of school children in private schools. After the local share of the state sales tax is deducted from the total cost, the remainder is multiplied by the composite index to determine the local share; the residual, if any, is the state share. The following example for Accomack County illustrates the operation of the formula in 1978-79; the amounts are based on preliminary enrollment data.[5]

| | | |
|---|---|---|
| (a) | SOQ total cost:<br>$901 x 1978-79 ADM of 5,772 | $5,200,572 |
| (b) | Less calendar year 1977 sales tax returned | 912,165 |
| (c) | Adjusted total cost | 4,288,407 |
| (d) | Required local share:<br>composite index (.4099) x line (c) | 1,757,818 |
| (e) | Basic state share:<br>line (c) less line (d) | $2,530,589 |

The above formula is further modified by a "no-loss" provision and an option for those localities that can provide a standards of quality program at a lower cost than the state-mandated amount. In 1978-79, localities are guaranteed state aid per pupil equal to the amount

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[2]According to the Virginia Code, sec. 58-441.48(d), this money "shall be considered as funds raised from local resources"; however, by normal accounting conventions the money is state aid, and it is so treated by the State Auditor of Public Accounts in the reports on comparative costs of local government. (References to the Virginia Code are hereinafter cited as Code.)

[3]Code, sec. 58-441.48(d).

[4]The school age population is defined as persons between the ages of 5 and 19, inclusive, plus handicapped persons ages 2, 3, 4, 20, and 21; Code, sec. 22-223.

[5]Information provided in a letter from Mr. Howell L. Gruver, Director, Management Information Services, Virginia Department of Education, dated November 21, 1978.

they would have received in 1977-78 if the full appropriation had been available for distribution. According to current estimates by the Department of Education, thirty-one school divisions will receive no-loss funds in 1978-79.[6] In the next year, the guarantee drops to the 1974-75 level of state funding per pupil plus 6.5 percent. To be eligible for no-loss payments in 1979-80, a locality must have received such payments in 1974-75. Because the no-loss provisions for 1979-80 are weak, only a handful of divisions will receive no-loss funding.[7]

Those localities that determine they can provide a standards of quality program at less than the regular SOQ cost can maintain a program at a reduced SOQ cost of $855 per pupil in 1978-79 and $910 in the following fiscal year--amounts 5 percent below the regular SOQ standards. Should a locality use these lower standards, then state aid is reduced proportionately.

The state government pays a significant portion of teacher fringe benefit costs. This aid is provided directly by the state with no transfers to local government; thus, the aid does not appear in local accounts. In 1977-78, state aid for fringe benefit costs was $79.1 million, or 10.8 percent of total state aid. This fringe benefit aid was divided among employer social security taxes, $39.0 million; retirement benefits, $37.5 million; and teachers' group insurance, $2.7 million. The state share of social security taxes in 1978-79 is limited to a maximum of 48 professional instructional staff members per 1,000 ADM, with an average yearly salary of $11,866. In 1979-80, the limits will move up to 58 professionals per 1,000 ADM and an average salary of $12,341. The 1979-80 limit on the number of professionals is fairly close to the present average for all school divisions (60.9 per 1,000 ADM in 1977-78), but the 1979-80 average salary is low, since it is even below the actual figure in 1977-78 ($13,059).[8]

The state is paying all of the employer contribution to the Virginia Supplemental Retirement System in 1978-79. In 1979-80, however, the state share will be limited to 58 professionals per 1,000 ADM and to salaries not exceeding an average of $12,341. Similarly, for 1978-79, the state pays

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[6] Ibid.

[7] Localities which will receive no-loss funding are the cities of Alexandria, Fairfax, Falls Church, Harrisonburg, and Williamsburg and the counties of Arlington and Surry. Information provided by R. S. Hager, Basic School Aid Fund Administrator, Virginia Department of Education, March 16, 1979.

[8] Virginia Department of Education, Annual Report 1977-1978 (Richmond, 1979), pp. 103, 121.

all of the employer cost for teachers that participate in group insurance, but in 1979-80, the state will observe the same limits as for the retirement system.

Vocational education payments, which accounted for 4.9 percent of state education aid in 1977-78, are made under two appropriations. About one-third is provided under categorical occupational-vocational education payments for vocational education directors, supervisors, and coordinators. The remaining two-thirds is furnished under standards of quality occupational-vocational payments. The State Department of Education determines an amount to be paid for each pupil in ADM that is in a full-time vocational program. The specific amount varies by type of program.

Special education payments are also made under two programs that together accounted for 3.5 percent of state aid in 1977-78. About two-fifths of this aid is distributed as state categorical aid for preschool programs, homebound instruction, payment of tuition to other public and private schools, and transportation. The remainder is paid under standards of quality. Special education receives a state allocation determined by the State Department of Education, the amount of which is dependent upon the type of exceptionality under which the pupil qualifies.

Pupil transportation funds accounted for 2.7 percent of the state educational aid in 1977-78. The aid is distributed as reimbursement for transportation costs under rules and regulations prescribed by the State Board of Education. Forty percent of the appropriation is distributed on the basis of the number of pupils transported, 40 percent on the number of miles traveled by each pupil, and 20 percent on the number of buses meeting state standards.[9]

An incentive payment to localities spending more than the state-mandated SOQ cost amounted to 0.9 percent of state aid in 1977-78. In 1979-80, the incentive is set at 5 percent of any amount spent over the SOQ cost of $901, up to a maximum of $1,200 per pupil. In 1979-80, the 5 percent will apply to the amount spent over the SOQ cost of $960 to the same maximum limit. Thus, the maximum incentive payment per pupil in 1978-79 would be $14.95 and in 1979-80, $12.00.

The state provides aid under several other programs that together amounted to $11.9 million, or 1.6 percent of total aid in 1977-78. These additional programs include funds for school food programs, in-service training, the gifted and talented, foster home children, summer school,

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[9]Virginia Department of Education, "Budget Exhibit for Department of Education 1978-80" (Richmond, n.d.).

superintendents' salaries, adult education, driver education, free and/or rental textbooks, and pilot studies.

## Comparison with Other States

The degree of state financial support for public schools varies greatly among the states, ranging from full funding in Hawaii to 6 percent of the state-local expenditures for education in New Hampshire. In 1975-76, the median percentage state share of state-local expenditures was 50 percent.[10] In Virginia the state share averaged 43 percent, with a large amount of variation among the separate school divisions.[11] Compared with neighboring states, Virginia's state share of education expenditures was about the same as the state shares in Maryland and Tennessee, but considerably lower than in North Carolina and West Virginia.[12] Of these four neighboring states, only West Virginia has independent school districts. The other states, like Virginia, have so-called "dependent" school systems that are financed by general purpose local governments.[13]

In reviewing the various approaches used to provide state financial support to schools, it should be noted that a number of states have enacted basic school finance reforms, many of them stimulated by the response of state courts to litigation similar to the California Serrano case, which affirmed the responsibility of the State of California to comply with state constitutional requirements for the equal provision of public education.[14] While the following summary covers 1975-76, several states have changed their formulas since then.[15]

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[10] Esther O. Tron, Office of Education, Public School Finance Programs, 1975-76 (Washington, D.C.: U.S. Government Printing Office, 1976), p. 10.

[11] Computed from Virginia Department of Education, Annual Report 1975-1976, p. 113. The local share of the state sales tax was treated as state aid.

[12] Tron, Public School Finance Programs, 1975-76. The state shares of state-local expenditures were as follows: Maryland, 42 percent; Tennessee, 44 percent; North Carolina, 81 percent; and West Virginia, 65 percent.

[13] U.S. Bureau of the Census, 1972 Census of Governments, Government Finances, Vol. 4, No. 1, Finances of School Districts (Washington, D.C.: U.S. Government Printing Office, 1974), p. 6.

[14] Serrano v. Priest, 5 Cal. 3d 584, 96 Cal. Rptr. 601 (1971), aff'd, 18 Cal. 3d 728, 135 Cal. Rptr. 345 (1976).

[15] For a recent review, see Allan Odden, "Public School Finance: Fine-Tuning the System," 51 State Government 45-50 (Winter 1978).

Most states distribute the bulk of their school aid through a basic support program designed to equalize aid by incorporating a measure of local ability-to-pay. In 1975-76, thirty-eight states, including Virginia, distributed more than half of their aid through some form of equalization.[16] Virginia's equalization aid is accomplished through the basic state school fund.

The most popular form of equalization aid is the minimum foundation program. Thirty-two states, including Virginia, use this approach for distributing some portion of their state aid. A minimum foundation program establishes a state guarantee for a level of aid either on a per pupil or per instructional unit basis. (In Virginia, the guarantee takes the form of the standards of quality cost per student in average daily membership.) The local share of the foundation program cost is determined by a required local tax levy or other measure of ability. The state share is the residual after deduction of the local share from the guaranteed minimum.

The alternative to a fixed minimum foundation program is some type of variable dollar level of support. Fifteen states use this approach for distributing a portion of their state aid. The variable guarantee allows the level of state-supported spending to vary within certain limits. The decision of how much to spend within these limits is left to the localities. Variable guarantee programs are implemented in one of three principal ways. The most popular approach, percentage equalizing, is used by seven states. Under this system, the local percentage share is based on a measure of relative local ability, and the state share is the residual. The state share applies to the variable guarantee until it reaches the limit. Five states use a guaranteed tax yield approach to implement their variable guarantee programs. Under this method, the state sets a guaranteed dollar amount for each mill levied on real property by a school district, up to a specified maximum number of mills. Where district levies yield less than the guarantee, the state provides the difference. Finally, three states use a guaranteed tax base approach for their variable guarantee programs. This procedure is very similar to the guaranteed tax yield plan. Under a guaranteed tax base, districts are free to choose a local levy, usually above a minimum, and the state share is equal to any difference between the district levy on its own real property tax base and that of the guaranteed tax base.

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[16] This discussion of state school aid in the various states relies mainly on information and data presented in Tron, Public School Finance Programs, 1975-76.

In addition to equalized state aid, the other major forms of aid are flat grants, categorical aids and other formula grants, and other support services. Flat grants include payments made on the basis of number of pupils or authorized teacher units without regard to local ability to pay. In Virginia, the principal flat grant is the local share of the state sales tax. Categorical aids and other formula grants refer to programs for special needs (e.g., vocational education, special education, transportation) that are supported outside the basic support program. Other support services represent dollars spent at the state level in behalf of local school systems for services such as retirement and insurance programs.

The distribution of 1975-76 state aid by these four categories for an unweighted average of all states and for Virginia was as follows:

| | Percentage of Total State Aid | | | | |
|---|---|---|---|---|---|
| | Total State Aid | Equalized Aid | Flat Grants | Categorical Aid and Other Formula Grants | Other Support Services |
| All states | 100.0 | 68.0 | 14.5 | 15.3 | 2.2 |
| Virginia | 100.0 | 52.0 | 20.7 | 16.7 | 10.5 |

Compared with the average for all states, Virginia distributes less of its aid in an equalized form and more as flat grants and other support services. The proportion of Virginia's state aid distributed in the form of categorical aid and other formula grants is close to the average for all states.

## Problems with the Present Aid Program

There are several problems with the existing program. These problems, which frequently stem from the major fiscal and demographic differences among localities, are seen in the sample of seventeen localities that has been utilized in staff reports of the Revenue Resources and Economic Commission. The sample represents a good cross-section of the various types of school divisions, since it encompasses the major geographic regions and includes urban, suburban, and rural localities.

The Composite Index. As previously mentioned, the composite index of ability-to-pay is standardized, with population weighted one-third and average daily membership, two thirds. This provides a favorable result for localities with high enrollment relative to population, while of course the reverse is true for localities with low enrollment relative to population.

Table 3.2 shows a composite (or fiscal capacity) index for the seventeen sample localities based on three different measures--population, average daily membership and the standardized values actually used (which depend on the one-third--two-thirds weights). As shown, the central cities of Alexandria, Norfolk, Richmond, and Roanoke have lower per capita indexes than ADM indexes. Since aid is inversely related to the value of an index, this means that they would gain more under a per capita index than under the present composite system. The reason for this result is that these localities have relatively small proportions of their populations in public schools because of the age distribution of population or the relative importance of private school enrollment. On the other hand, suburban localities and some rural counties would gain more under an ADM index as illustrated, for example, in the cases of Chesapeake City and the counties of Chesterfield, Fairfax, and Buckingham.[17]

A two-thirds weighting by ADM, which is the current practice, implies that a major portion of local fiscal resources is earmarked for education. This implication is inaccurate because public education in Virginia is funded by general purpose units of government rather than by special school districts with their own taxing authority. Local fiscal resources are used to finance all local government functions, including noneducational activities such as police, fire protection, and welfare assistance.

The general purpose nature of Virginia local governments is demonstrated in Table 3.3, which shows the ratio of noneducation expenditures from own sources to total local expenditures from own sources in 1976-77. All the sample localities have significant noneducation outlays. The four large central cities in the sample--Alexandria, Norfolk, Richmond, and Roanoke--all spent more than half of their taxes on noneducation functions, yet all spent more than the state average operation expenditure per ADM.[18] In Lunenburg, Northumberland, and Rappahannock counties, the sample localities with the lowest percentages of taxes for noneducation outlays, local spending per ADM was less than the state average.[19]

Calculation of Standards of Quality Costs. The SOQ costs used in the basic state school fund are revised each biennium on the basis of actual

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[17] For this analysis Chesapeake City is considered a suburban locality because of its location and low population density.

[18] Virginia Department of Education, Facing Up 12 (Richmond, 1977), pp. 56-60.

[19] Ibid.

Table 3.2

Public School Fiscal Capacity Index,
Seventeen-Locality Sample, 1978-80
(State Average = .5000)

| Locality | Per Capita Index | ADM Index | Composite Index[a] |
|---|---|---|---|
| Alexandria City | .7119 | 1.2301 | 1.0574 |
| Augusta County | .4052 | .3826 | .3902 |
| Buckingham County | .4709 | .4042 | .4265 |
| Chesapeake City | .3770 | .3195 | .3387 |
| Chesterfield County | .5576 | .4422 | .4807 |
| Fairfax County | .7113 | .6102 | .6439 |
| Floyd County | .4045 | .3970 | .3995 |
| Lunenburg County | .3688 | .3604 | .3632 |
| Norfolk City | .3862 | .5159 | .4726 |
| Northumberland County | .5524 | .6119 | .5921 |
| Norton City | .5044 | .4139 | .4440 |
| Rappahannock County | .6547 | .6680 | .6636 |
| Richmond City | .5495 | .7326 | .6716 |
| Roanoke City | .4929 | .5729 | .5462 |
| Suffolk City | .4034 | .3736 | .3835 |
| Waynesboro City | .5215 | .5094 | .5134 |
| Wise County | .3473 | .3120 | .3238 |

Source: Unpublished data from the Division of Educational Research, Virginia Department of Education, prepared August 23, 1977.

[a]Derived by weighting the ADM index by .6667 and the per capita index by .3333.

costs incurred in a recent year. Actual costs are adjusted to reflect SOQ staffing requirements and to exclude certain state and federal categorical aid as well as capital outlays and debt service. In developing the SOQ amounts for the 1978-80 biennium, the State Department of Education based its salary costs on state averages exclusive of the ten highest and ten lowest paying school divisions. Since the highest paying school divisions include several with a large number of teachers, the end result was a lower

Table 3.3

Ratio of Noneducation Expenditures from Own Sources to Total Local Expenditures from Own Sources, Seventeen-Locality Sample, 1976-77

| Locality | Ratio of Noneducation Expenditures to Total Local Expenditures (%) |
|---|---|
| Alexandria City | 76.2 |
| Augusta County | 37.5 |
| Buckingham County | 35.6 |
| Chesapeake City | 63.6 |
| Chesterfield County | 38.2 |
| Fairfax County | 43.2 |
| Floyd County | 43.1 |
| Lunenburg County | 33.1 |
| Norfolk City | 74.9 |
| Northumberland County | 33.1 |
| Norton City | 58.3 |
| Rappahannock County | 24.9 |
| Richmond City | 70.5 |
| Roanoke City | 68.2 |
| Suffolk City | 60.1 |
| Waynesboro City | 47.7 |
| Wise County | 34.1 |

Sources: U.S. Department of Treasury, Office of Revenue Sharing, Initial State and Local Data Elements, Entitlement Period 10 (Washington, D.C.: U.S. Government Printing Office, 1978), pp. 403-5; State Auditor of Public Accounts, Comparative Cost of County Government and Comparative Cost of City Government for the year ended June 30, 1977 (Richmond, 1978).

Note: The Office of Revenue Sharing computes "noneducation" taxes for Virginia based on the ratio of noneducation expenditures from own tax sources to total local taxes. It was assumed that this ratio was a good proxy for the ratio of noneducation expenditures from own sources to total local expenditures.

The percentage ratios of noneducation taxes to total local taxes for every city and county are included in Appendix Table A.4.

SOQ cost in 1976-77 based on full state salary averages was $926.[20] The SOQ costs adopted for 1978-79 and 1979-80, which are supposed to contain an adjustment for inflation, are $901 and $960, respectively--close to the actual cost figure for 1976-77. In view of the inflation since 1976-77 and anticipated price rises, the SOQ figures for the 1978-80 biennium understate actual costs.

Education Costs. The standards of quality cost established by the state for each year of a biennium is used as if education costs were identical throughout Virginia. This is not the case, however; while some items such as textbooks and school desks may be the same price throughout the state, the costs of many other items, such as salaries, building materials, utilities, and land, often differ from one school division to another. Since salaries are the largest item in a local budget, representing about three-fifths of operating costs, they merit further discussion.

Average salary costs show large variation. In 1977-78, the average teacher salary in the seventeen-locality sample ranged from $17,305 in Fairfax County to $10,199 in Suffolk City (see Table 3.4). The high locality exceeded the low by 70 percent. Much of this difference was because of dissimilarities in teaching experience and education incentive payments. When compared on the basis of entrance salaries for holders of a bachelor's degree, the Fairfax figure of $9,908 was only 17 percent above the $8,497 starting salary in Suffolk. However, Fairfax's top step was 57 percent higher and its M.A. increment 50 percent lower than the corresponding figures for Suffolk.

Teachers' salaries are mainly determined by the job market. Each locality competes for talent and must pay salaries which will attract and retain the required number of teachers. However, because of the bargaining strength of teachers or the salary policy of local governments, some localities may pay above-market wages. Another factor affecting the average wage is the composition of the teaching staff in terms of experience and education. Localities with low turnover in teaching staff are likely to have high proportions of teachers with many years of experience and with advanced degrees, factors which cause a rise in average salaries.

Equalization of SOQ Aid for Special Education and Vocational Education. The present aid system recognizes the fact that it costs more to educate special education and vocational education students than regular students.

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[20] Donald J. Finley, "Staff Report on the Financing of Elementary and Secondary Education in Virginia," unpublished report of the staff of the House Appropriations Committee, Virginia General Assembly, January 1978, p. 78.

Table 3.4

Teachers' Salaries, Seventeen-Locality Sample, 1977-78

| | Average Salary | | Bachelor's Degress | | | | Increment for M.A.[a] | |
|---|---|---|---|---|---|---|---|---|
| | | | Entrance | | Top | | | |
| | Amount($) | Index | Amount($) | Index | Amount($) | Index | Amount($) | Index |
| State median | 10,999 | 100 | 8,800 | 100 | 12,617 | 100 | 850 | 100 |
| Alexandria City | 16,729 | 152 | 9,963 | 113 | 17,734 | 141 | 1,494 | 176 |
| Augusta County | 11,291 | 103 | 8,700 | 99 | 13,033 | 103 | 1,000 | 118 |
| Buckingham County | 10,511 | 96 | 8,800 | 100 | 11,800 | 94 | 700 | 82 |
| Chesapeake City | 11,868 | 108 | 8,870 | 101 | 14,317 | 113 | 1,000 | 118 |
| Chesterfield County | 11,529 | 105 | 9,000 | 102 | 14,100 | 112 | 800 | 94 |
| Fairfax County[b] | 17,305 | 157 | 9,908 | 113 | 18,038 | 143 | 421 | 50 |
| Floyd County | 10,534 | 96 | 8,640 | 98 | 11,340 | 90 | 900 | 104 |
| Lunenburg County | 10,267 | 93 | 8,200 | 93 | 11,450 | 91 | 1,000 | 118 |
| Norfolk City | 12,557 | 114 | 8,825 | 100 | 13,599 | 108 | 882 | 104 |
| Northumberland County | 11,464 | 104 | 9,095 | 103 | 12,614 | 100 | 850 | 100 |
| Norton City | 11,986 | 109 | 8,700 | 99 | 12,561 | 100 | 1,100 | 129 |
| Rappahannock County | 10,427 | 95 | 8,500 | 97 | 12,000 | 95 | 840 | 99 |
| Richmond City | 13,438 | 122 | 9,277 | 105 | 14,843 | 118 | 900 | 106 |
| Roanoke City | 12,209 | 111 | 8,500 | 97 | 13,706 | 109 | 1,050 | 124 |
| Suffolk City | 10,199 | 93 | 8,497 | 97 | 11,465 | 91 | 850 | 100 |
| Waynesboro City | 12,263 | 111 | 9,000 | 102 | 13,384 | 106 | 1,000 | 118 |
| Wise County | 11,324 | 103 | 9,040 | 103 | 12,420 | 98 | 1,000 | 118 |

Sources: Virginia Department of Education, Annual Report 1977-1978 (Richmond, 1979), pp. 93-104; Virginia Education Association, 1977-78 Salary Schedules for Classroom Teachers, Research Report R-335 (Richmond, September 1977), pp. 5-7, 17-23.

[a]Based on entrance salaries.

[b]Includes Fairfax City.

According to data developed by the House Appropriations Committee staff, the 1976-77 SOQ costs per student for special education and vocational education exceeded those for regular students by $725 and $256, respectively.[21] In 1976-77, the state funded about half of these extra costs for special education and most of them for vocational education.[22] The funding was on a per student basis unadjusted for local ability-to-pay. This lack of an ability-to-pay adjustment is inconsistent with the equalization rationale underlying the basic state fund distribution.

Capital Outlay. State aid in Virginia is confined to operating expenditures. No aid is given for capital outlay except for a small amount for vocational education facilities and the interest subsidy from the Literary Fund. The Literary Fund, administered by the State Board of Education, is used to make small, low-interest loans (usually less than $1 million, at a 3 percent interest rate) to local governments for public school purposes. Literary Fund loans in 1977-78 were $19.2 million, a figure representing 17 percent of the total amount borrowed for school purposes by local governments.[23] Among other states, thirty have some type of capital grants program. However, in ten of these states, the aid is relatively insignificant, amounting to less than $10 million in 1975-76.[24]

Comparisons of educational spending are generally based on operating expenditures, which include debt service. Debt service is composed of interest on bonds and repayment of principal. Since most localities finance building construction with borrowed funds, debt service can be considered as a rough proxy for the annualized cost of capital.

Sizable differences exist among school divisions in debt service payments per ADM, as illustrated in Table 3.5 by the seventeen-locality sample. In 1977-78, payments per ADM ranged from $201.60 in Chesterfield County to 0 in Suffolk City. These differences reflect variations in the demand for replacement structures, the demand for new structures to serve increased enrollment, local construction costs, utilization of

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[21] Finley, "Staff Report on the Financing of Elementary and Secondary Education in Virginia," pp. 52, 57.

[22] Ibid., pp. 53, 57.

[23] Virginia Department of Education, Annual Report 1977-1978, p. 50.

[24] Tron, Public School Finance Programs, 1975-76, pp. 16, 17.

Table 3.5

Public School Debt Service, 1977-78, and Percentage Change in Enrollment, 1968-69 to 1977-78, Seventeen-Locality Sample

| | Debt Service per ADM 1977-78 | | % Change in ADM, 1972-73 to 1977-78 |
|---|---|---|---|
| | Amount($) | Index | |
| State average | 122.49 | 100 | 8.7 |
| Alexandria City | 184.90 | 151 | -16.8 |
| Augusta County | 56.82 | 46 | 5.7 |
| Buckingham County | 34.77 | 28 | 4.3 |
| Chesapeake City | 146.11 | 119 | 8.0 |
| Chesterfield County | 201.60 | 165 | 33.7 |
| Fairfax County[a] | 148.61 | 121 | -2.6 |
| Floyd County | 30.73 | 25 | 6.2 |
| Lunenburg County | 43.57 | 36 | -0.5 |
| Norfolk City | 69.71 | 57 | -8.9 |
| Northumberland County | 34.47 | 28 | -11.7 |
| Norton City | 162.35 | 133 | -6.3 |
| Rappahannock County | 47.23 | 39 | 2.5 |
| Richmond City | 122.79 | 100 | -19.7 |
| Roanoke City | 187.02 | 153 | 0.6[b] |
| Suffolk City[c] | 0 | 0 | -5.6[c] |
| Waynesboro City | 137.21 | 112 | -15.7 |
| Wise County | 77.79 | 64 | 6.8 |

Sources: Virginia Department of Education, Annual Report 1977-1978 (Richmond, 1979), pp. 69-78, 116-21; Virginia Department of Education, Annual Report 1972-1973 (Richmond, 1973), pp. 275-78.

[a] Includes Fairfax City.

[b] Unadjusted for an annexation occurring during this period.

[c] Adjusted for merger of Nansemond with Suffolk.

school capacity, and community preferences. However, in view of the fact that capital outlay is often attributed to growth, it should be noted that three of the five sample localities spending the most on debt service had enrollment declines in the five-year period from 1972-73 to 1977-78.

Number of Pupils Served. Various education studies have estimated an enrollment of 1,200 to 2,000 as the minimum required for a school system to provide an effective program in terms of cost and quality.[25] Yet of the 135 operating school divisions in Virginia, 4 had 1977-78 average daily memberships of under 1,000 and 22 had ADMs between 1,000 and 2,000.[26] In future years the number of very small school divisions may increase as school enrollments decline in many parts of the state. The present state aid programs are made available to all school divisions regardless of size. This policy possibly results in subsidies to inefficiently sized school systems that could be operated at lower cost if they were merged with other divisions. There are already a number of regional vocational, industrial, and technical schools, and several divisions are working together to serve the handicapped. These efforts indicate that a regional approach to general education as well might be feasible in some of the sparsely populated sections of the state with very few children in their schools.

Quality of Students. The present state aid program makes no explicit allowance for quality of students, with the exception of small appropriations for the gifted and talented and for pilot studies of problems related to central city educational needs.[27] Even if all school divisions had the same measurable goals, the cost of achieving them would depend on the quality of students. It appears reasonable to assume that children from poor neighborhoods, broken homes, and without a strong cultural orientation in favor of formal education will require more school resources to attain the same educational levels as children from backgrounds that provide support for the schools.

Results from the state testing program provided a measure of the quality of students in each division. In the fourth grade, the earliest grade in which the tests are given, the state mean score on the Short Test of Educational Ability (STEA) was 53 in 1978-79. This means that the average Virginia fourth grader scored higher than 53 percent (or lower than 47 percent) of the students in the national norm group. Of the seventeen localities in our sample, scores ranged from 34 in Buckingham County to 76 in Fairfax County (see Table 3.6). Although there were numerous exceptions,

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[25] Advisory Commission on Intergovernmental Relations, Performance of Urban Functions: Local and Areawide, Report M-21 (Washington, D.C.: U.S. Government Printing Office, 1963), pp. 67-71.

[26] Virginia Department of Education, Facing Up 13 (Richmond, 1979), pp. 59-63.

[27] The 1979-80 appropriations were $1,546,615 for the gifted and talented and $3,600,000 for central cities. Information provided by R. G. Hager, Basic School Aid Fund Administrator, Virginia Department of Education, March 16, 1979.

Table 3.6

Fourth Grade Short Test of Educational Ability Scores, Seventeen-Locality Sample, 1978-79

| | STEA Score | | STEA Score |
|---|---|---|---|
| State average | 53 | | |
| Alexandria City | 49 | Northumberland County | 44 |
| Augusta County | 49 | Norton City | 44 |
| Buckingham County | 34 | Rappahannock County | 44 |
| Chesapeake City | 49 | Richmond City | 44 |
| Chesterfield County | 70 | Roanoke City | 49 |
| Fairfax County | 76 | Suffolk City | 44 |
| Floyd County | 53 | Waynesboro City | 62 |
| Lunenburg County | 39 | Wise County | 53 |
| Norfolk City | 44 | | |

Source: Virginia Department of Education, "State Testing Program Results, 1978-79," Superintendent's Memo No. 52, March 15, 1979.

the general pattern of scores throughout the state was one of relatively high scores in northern Virginia and the major suburban counties of the other metropolitan areas. The rural counties in central Virginia, Southside, and the Eastern Shore and some of the large central cities had relatively low scores.

Although the published results of the testing program do not show the relative dispersion of scores within localities, a dispersion measure, such as the coefficient of variation, could be computed easily. It is possible that the cost and complexity of an educational program is positively related to the amount of dispersion.

## Suggested Changes

Major changes in state funding of public education are unlikely because of the large dollar amounts involved. Changes that would redistribute the existing level of funding would impose heavy costs on those localities receiving less state aid. Changes that would institute a higher level of state funding would require either a redirection of state spending or an increase in state taxes. Even given the unlikelihood of major changes, however, many aspects of the existing programs still could be altered gradually.

The composite index of ability-to-pay performs well in representing the major sources of local fiscal capacity--real estate values, personal income, and retail sales. However, the standardization technique of weighting ADM two-thirds and population one-third results in a negative bias toward localities that have relatively few public school children but substantial noneducation expenditure burdens. Standardizing by population alone or giving population a weight greater than one-third would improve this situation.

The SOQ cost used in the basic school fund formula should represent actual costs as much as possible, with a realistic allowance for inflation. To secure this result, statewide average salaries should be used, rather than an average which excludes some of the largest school divisions. Also, to be consistent regarding an allowance for inflation, the maximum amount per ADM for calculation of the incentive payment should be increased each year by the same percentage as the increase in the SOQ cost.

There is a fundamental asymmetry in the basic school fund formula since the composite index of local ability-to-pay values local fiscal resources at actual dollars, which reflect local price levels, while the SOQ cost per student is set at a constant amount. To correct this problem, the SOQ cost would have to be adjusted for local differences in the cost of education. What is needed is a cost-of-education index, which is different from a cost-of-living index that is designed to reflect the purchasing habits of a typical household. Obviously, the goods and services purchased by a school division differ from those purchased by a household. The major component in a cost-of-education index would be teacher salaries; the salary cost factor could be based on average starting salaries for teachers in the various labor markets of the state. In this way aberrations due to the compensation policies of particular school boards could be avoided. For purposes of illustration, a teacher salary cost index was constructed for the state's twenty-two planning districts (which are rough approximations of labor markets). The index was computed by weighting the minimum bachelor's degree salary by ADM in each school division. By using this initial salary figure, differences due to tenure and education were excluded. Likewise, the use of the planning district as a unit of analysis reduced distortions due to possible unusual pay policies of individual school divisions. As shown in Table 3.7, the salary cost index (state average = 100.0) ranged from 93.8 in the rural, southside Piedmont Planning District to 109.7 in the urban Northern Virginia Planning District, a spread of 15.9 percentage points. It should be noted that while teacher salaries are a major component of school operating costs (representing about three-fifths of the total), a comprehensive cost-of-education index would also measure the other principal components of school costs.

As noted earlier, Virginia, when compared with the average for all states, provides a lower proportion of aid on an equalized basis. The equalization of standards of quality aid for special education and vocational education would increase the total amount of equalized aid and place these programs in harmony with the basic state school fund.

Table 3.7

Teacher Salary Cost Index by Planning Districts, 1977-78

| Planning District | Salary Cost Index, State = 100.0 |
|---|---|
| 1. Lenowisco | 97.0 |
| 2. Cumberland Plateau | 101.9 |
| 3. Mount Rogers | 97.6 |
| 4. New River Valley | 98.0 |
| 5. Fifth (Roanoke) | 96.3 |
| 6. Central Shenandoah | 98.3 |
| 7. Lord Fairfax (Winchester) | 99.7 |
| 8. Northern Virginia | 109.7 |
| 9. Rappahannock-Rapidan | 96.6 |
| 10. Thomas Jefferson (Charlottesville) | 98.1 |
| 11. Central Virginia | 97.0 |
| 12. West Piedmont | 96.5 |
| 13. Southside | 94.5 |
| 14. Piedmont | 93.8 |
| 15. Richmond Regional | 100.2 |
| 16. Radco (Fredericksburg) | 101.4 |
| 17. Northern Neck | 102.3 |
| 18. Middle Peninsula | 98.6 |
| 19. Crater (Petersburg) | 96.4 |
| 20. Southeastern Virginia | 97.5 |
| 21. Peninsula | 96.7 |
| 22. Accomack-Northampton | 94.1 |

Sources: Virginia Education Association, Salary Schedules for Classroom Teachers, 1977-78, Research Report R-335 (Richmond, September 1977), pp. 5-7; and Virginia Department of Education, Annual Report 1977-1978 (Richmond, 1979), pp. 116-21.

Note: The salary cost index was computed by weighting the minimum bachelor's degree salary by average daily membership in each school division.

Although capital outlay and the related debt service are unavoidable costs of education, the present state aid program does not provide aid for construction except indirectly through subsidized Literary Fund loans. However, because of the variation in capital spending among localities, a direct aid program would entail many problems. If state assistance were desirable, the simplest way to assist with capital costs would be through more liberal state support of operating costs.

Two final suggested changes are related to the variations in number and quality of students among school divisions. Since state aid is now provided regardless of the size of a school division, the state may be supporting some divisions that are cost inefficient because of their very small size. A possible solution would be regional public schools in some of the sparsely populated sections of the state. Also, even though state testing program results indicate significant variations in the quality of students among school divisions, the present state aid formulas give little recognition to these differences. To meet this problem, attention should be given to developing a reliable indicator which can be used to allocate extra state funds to those school divisions that have a disproportionate number of low ability students.

## Public Welfare

The Virginia Department of Welfare began operations five years ago when the Department of Welfare and Institutions was divided into two separate entities, the Department of Welfare and the Department of Corrections. The Department of Welfare is responsible for the administration of the second largest state aid program, accounting for about 20 percent of direct state aid in 1976-77 ($223.0 million).

### Current Aid Programs

Unlike the other major aid categories, the majority of welfare aid is comprised of federal pass-through money. For 1977-78, state aid for public welfare, including federal pass-through money, totaled $230.1 million; federal pass-through money accounted for 62.7 percent of the total aid.[28] The Department of Welfare administered this aid through eight major programs, of which six were mandated.

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[28] Virginia Department of Welfare, Annual Report 1977-78 (Richmond, 1979). Some minor items have been excluded from the total.

Aid to Dependent Children. The bulk of state welfare aid is allotted to the Aid to Dependent Children program (ADC), which received $136.5 million, or 59.3 percent of total welfare aid in 1977-78 (see Table 3.8).[29] Program costs are borne by both the state government (43 percent) and the federal government (57 percent) (see Table 3.9).[30] The responsibilities of the local governments are limited to the administrative function of determining eligibility. Also, before 1976-77 local governments had the responsibility of issuing grant checks, of which they bore 20 percent of the cost.[31] However, in late 1977 the method of handling welfare payments for ADC was changed. Checks are no longer issued by the local welfare office, but rather directly by the state. With this change, ADC aid would no longer be classified as state aid under the census definition, and starting in 1977-78 it was not. Adjusting for this change, state welfare aid in 1977-78 would have been $93.6 million rather than the $230.1 million shown in Table 3.8. Eligibility is still determined at the local level, and the 80 percent administrative cost reimbursement will still be considered as state aid.

Administration. The second major category of state welfare assistance is administration. For 1977-78, state aid for administrative costs totaled $57.6 million, 25.0 percent of aid. Of this total, 79.2 percent was composed of federal pass-through money. The local governments bear a constant 20 percent of administration costs, regardless of the program. The state's share varies from a low of 5 percent for foster care and social services to a high of 80 percent for general relief, auxiliary grants, and hospitalization of the indigent programs, with the residual in every case covered by the federal government (see Table 3.9).[32] In addition to assistance to cover administrative costs, this category also includes aid for

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[29] ADC includes regular ADC payments (96 percent of total payments) and ADC-Foster Care payments (4 percent). This breakdown is based on March 1978 payments. Virginia Department of Welfare, Public Welfare Statistics (Richmond, March 1978), pp. 6-9.

[30] The state and federal government shares are revised every two years.

[31] A locality may supplement the state's ADC grant to a recipient with a grant of its own, but all funds for this grant must be local, and the total grant (ADC plus local supplement) may not exceed 100 percent of need (the Department of Welfare does not define what is meant by need). Information provided by Richard W. Hall-Sizemore, Division of Legislative Services, to the Commission on State Aid to Localities, July 5, 1977. In 1977-78 local supplement grants totaled $1.5 million; see Appendix Table A.4.

[32] The state's liability (including the federal share) for reimbursement of local administrative costs is limited by what the Commissioner of Public Welfare deems reasonable and by the availability of state and federal funds.

Table 3.8

State Welfare Aid to Local Governments, 1977-78

| | State Aid | | Federal Pass-Through | |
|---|---|---|---|---|
| Program | Amount ($) | % of Total | Amount ($) | % of State Aid |
| Aid to Dependent Children | 136,474,138 | 59.3 | 78,221,960 | 57.3 |
| Administration | 57,603,199 | 25.0 | 45,601,881 | 79.2 |
| Day Care and other purchased services | 22,306,158 | 9.7 | 20,555,568 | 92.2 |
| General Relief | 6,018,785 | 2.6 | | |
| Foster Care | 3,958,693 | 1.7 | | |
| Hospitalization of the Indigent | 2,594,581 | 1.1 | | |
| Auxiliary Grants--Aged | 636,315 | 0.3 | | |
| Auxiliary Grants--Disabled | 529,718 | 0.2 | | |
| | 230,121,587 | 100.0 | 144,379,409 | 62.7 |

Source: Virginia Department of Welfare, Annual Report 1977-78 (Richmond, 1979), Table II.

Table 3.9

Percentage Shares of Welfare Program and Administrative Cost, 1977-78

| Program | Program Cost (%) | | | Administrative Cost (%) | | |
|---|---|---|---|---|---|---|
| | Federal | State | Local | Federal | State | Local |
| Social Services | a | a | a | 75 | 5 | 20 |
| Foster Care | ... | 50.0 | 50.0 | 75 | 5 | 20 |
| Aid to Dependent Children | 57.01[b] | 42.99[b] | ... | 50 | 30 | 20 |
| General Relief | ... | 62.5 | 37.5 | ... | 80 | 20 |
| Auxiliary Grants (Aged and Disabled) | ... | 62.5 | 37.5 | ... | 80 | 20 |
| Hospitalization of the Indigent | ... | 50.0 | 50.0 | ... | 80 | 20 |

Source: Information provided by Virginia Department of Welfare.

[a]Varies by individual service program.

[b]Revised every two years.

some of the social services provided under Title XX of the Social Security Act (discussed in the following section).

Day Care. Day care and other purchased services received $22.3 million in state welfare aid during 1977-78, 9.7 percent of total aid. The federal pass-through proportion was the largest of the three major program categories receiving federal pass-through monies, 92.2 percent. Programs included in the day care category are those furnished under Virginia's comprehensive annual plan for social services in accordance with Title XX of the National Social Security Act (aid for some Title XX programs is grouped with administration assistance).[33]

[33]Non-Title XX programs, such as the day care and related services of the Work Incentive Program, are included in the above total for day care, but as a group they comprise a small percentage of the total aid allocated.

Title XX regulations require that the state have at least one social service program directed to each of five national goals, and three additional social service programs for recipients of Supplemental Security Income (SSI). Virginia's comprehensive plan includes a total of twenty-nine social service programs. The state has exceeded the federal requirements by mandating eight specific services from this group, as well as three services of the localities' choice for SSI recipients. The eight mandated services are as follows:

1. Adoption Services
2. Day Care Service for Children
3. Early and Periodic Screening, Diagnosis, and Treatment
4. Employment Services
5. Family Planning Services
6. Foster Care Services for Children
7. Information and Referral Services
8. Protective Services for Children

Of the twenty-nine total programs, an average of twenty-two services is provided by each locality.[34] The twenty-nine programs receive varying degrees of funding; the federal share is usually 75 percent, with the state and local shares of the remaining 25 percent varying by program.

General Relief. General relief is one of only two welfare financial assistance programs that are local options (the other is hospitalization of the indigent). The local government determines whether to participate in the program and, if so, what form(s) the relief will take and the eligibility requirements for recipients. The local government also establishes the level of assistance that will be provided, but the state's share of program costs is constrained by the availability of appropriated funds and by a fixed state percentage as established in the Code of Virginia, section 63.1-92.[35] The state percentage is 62.5 percent, and the local government pays the remaining 37.5 percent; no federal aid is provided for general relief. In 1977-78, aid for the general relief program was received by all but two localities (Lunenburg County and the city of Buena Vista).[36]

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[34] Services are provided by geographic area, each of which is composed of either one or a group of localities. In 1978 there were 116 such areas. Virginia Department of Welfare, Commonwealth of Virginia Comprehensive Annual Plan for Social Services (July 1, 1978-June 30, 1979) Under Title XX of the National Social Security Act (Richmond, July 1978), p. C2.

[35] The total grant may not exceed 100 percent of need as established under ADC.

[36] Virginia Department of Welfare, Annual Report 1977-78, Table II. Expenditure data were not provided for the cities of Bedford, Fairfax, Poquoson, Salem, and South Boston.

The state's share of the program's cost totaled $6.0 million, 2.6 percent of the total aid for welfare.

Foster Care. The foster care program provides temporary substitute family or group living for children under the supervision of the local welfare boards. Excluding the administration category, foster care is the localities' second costliest program after day care (see Appendix Table A.5). Program costs for foster care are shared evenly by the state and the local governments; state assistance totaled $4.0 million in 1977-78.[37]

Hospitalization of the Indigent. As with general relief, each locality determines whether or not it wishes to participate in this program and, if so, the eligibility requirements for recipients. The locality also stipulates the per diem hospital or health clinic rate it is willing to pay, but the state's liability for reimbursement cost is limited to 50 percent of that per diem rate, up to a maximum rate determined by the State Board of Welfare. The state's share of hospitalization costs is further limited to the amount appropriated for this purpose by the General Assembly, an amount that is allocated to the counties and cities on the basis of population.[38] In 1977-78, $2.6 million in hospitalization aid (1.1 percent of total welfare aid) was allocated to 109 of the 133 localities for which data were provided.[39] Of the twenty-four localities that did not receive hospitalization aid, nineteen were counties and five were cities.[40]

House Bill 599, passed in 1979, increases the state's share of program costs for hospitalization of the indigent from 50 percent to 75 percent, effective in 1980-81. This increase in the state's share would have resulted in a $1.3 million increase in state welfare aid for 1977-78.

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[37] As with the general relief program, the state's liability for foster care program costs--as well as for those of auxiliary grants and day care--is limited to the funds appropriated for the program by the General Assembly.

[38] Funds unused by one locality may be reallocated to others with need exceeding their original allotment.

[39] Data were not available for the cities of Fairfax, Poquoson, and Salem. Virginia Department of Welfare, Annual Report 1977-78, Table II.

[40] Localities that did not receive hospitalization were the counties of Albemarle, Amelia, Brunswick, Buckingham, Charles City, Craig, Fluvanna, Franklin, Hanover, King and Queen, King William, Lancaster, Louisa, New Kent, Powhatan, Prince Edward, Richmond, Warren, and Washington and the cities of Colonial Heights, Franklin, Harrisonburg, Norton, and Winchester. Virginia Department of Welfare, Annual Report 1977-78, Table II.

Auxiliary Grants. The last two major programs for which welfare aid is allotted are auxiliary grants for the aged and the disabled. These grants serve as a supplement to the funds made available to the aged and disabled through the federally funded Supplemental Security Income program. The programs are funded wholly by the state and local governments with no federal assistance. Program costs are shared, with 62.5 percent paid by the state and 37.5 percent by the local government. Aid for the two auxiliary grant programs totaled $1.2 million in 1977-78, accounting for less than 1 percent of total welfare aid.

## Problems with the Current Aid Program

The most frequently mentioned problem with the welfare program is that welfare expenditures comprise too large a percentage of total local expenditures. In 1974-75, only sixteen states nationwide had a higher percentage of welfare expenditures financed by local funds than Virginia's 8.2 percent (see Appendix Table A.6).[41] Virginia Department of Welfare data show that in 1975-76 a statewide average of 8 percent of local expenditures was for welfare purposes, with a maximum of 20.9 percent in Northampton County.[42] However, this information does not reflect the true welfare burden borne by the localities, since it does not show the sources of funding for local expenditures. A more accurate picture of the extent to which localities bear the weight of welfare is given by the ratio of the local share of welfare expenditures to total local source revenues. As an example, the city of Richmond had the highest welfare expenditure of all localities, spending $35.6 million or 15.9 percent of total expenditures; but Richmond's share of this $35 million was only $4.5 million, which accounted for only 3.9 percent of its total revenues from local sources. Statewide the ratio of the local share of welfare expenditures to total local source revenues was only 1.7 percent, with a maximum of 6.8 percent in Lee County. These figures do not suggest that welfare is the overwhelming burden to localities that is sometimes assumed.

The absence of measures of ability and effort as factors in the distribution of welfare aid is a second problem with the current program, for the established policy is to distribute funds solely on the basis of need. The fixed percentage share of costs assumes that ability and effort are constant across localities. Ability and effort should play a role in

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[41] Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism--1976-77 Edition 3. Expenditures, Report M-113 (Washington, D.C.: U.S. Government Printing Office, 1977), p. 31.

[42] Information provided by the Virginia Department of Welfare to the Commission on State Aid to Localities, the Joint Subcommittee on Annexation and the House Appropriations Subcommittee on House Bill No. 599, July 10, 1978.

determining a locality's share of state aid; but given the existing policy objectives, the present procedure is effective.

Potentially, the most significant problem is that a disproportionate share of optional program costs are borne by certain localities. It is argued that some counties and cities choose either not to provide the optional programs or to provide only a few of the possible optional services. The result of the actions of these localities is to place a disproportionate share of the optional programs' costs on those cities and counties with the older, more well-established welfare programs that tend to offer such services. The services are provided because the locality's population demands them, but this tends to attract potential recipients from other localities and thus raise the costs.

The extent of this problem is difficult to measure. The first difficulty is determining whether welfare benefits from optional programs are a strong enough incentive to potential recipients to encourage a change in residence from one locality to another. Additionally, just how extensive is the problem of localities not offering or providing fewer services? With the general relief program, this problem seems insignificant, since only two localities do not provide the service. For hospitalization of the indigent, however, the problem seems potentially to be of major concern. In 1977-78, this service was not provided by twenty-four localities, or 18 percent of the 133 localities for which data were available. Determining the full effect of this problem would require a complete comparison across localities of services provided and eligibility requirements.

An additional problem with the current welfare program is that localities with a high incidence of need may pay a greater per capita amount for aid than those with little need. As an example, consider the case of two localities of equal population, X with a high incidence of need and Y with a low incidence. Under the current program, both localities pay the same fixed percentage of a program's cost. However, X will pay a greater absolute amount, and so a greater per capita amount, than Y since its program must be larger. The program thus places a greater burden on X's financial resources. If the state required a fixed level of local per capita expenditure, above which the state would cover all costs, the financial burden of a program's cost would be more equitable. Those localities with the lower incidence of need would bear a greater percentage of a program's cost.

## Proposals for Change

There seems to be widespread sentiment for changes in the method of allocating welfare aid. Within the past two years the General Assembly has considered two major bills, House Bill 62 and House Bill 599, which would have extensively restructured the welfare aid programs. In the 1979 session of the General Assembly, an amended version of House Bill 599 was adopted that increased the state's share of hospitalization of

the indigent program costs from 50 percent to 75 percent beginning in 1980-81. In addition, numerous additional proposals have been made, most notably by Delegate L. Cleaves Manning.

Because House Bill 62 and the original House Bill 599 contained several interesting ideas, they are briefly reviewed here. House Bill 62 as originally introduced would have required the state to reimburse the localities for all administrative and program costs incurred in providing welfare services. The bill as amended by committee provided for the state's assumption of all administrative costs only. As amended, House Bill 62 was adopted by the General Assembly, but it was vetoed by the governor. Two major concerns prompted the veto: (1) the lack of funds available to meet the extra costs and (2) the loss of state control (while funds would be solely state money, administrative personnel would be local employees, outside the jurisdiction of the state). If the governor had signed House Bill 62, the estimated savings to localities based on 1976-77 budgets would have been $14.1 million.[42]

The second major bill considered by the General Assembly was House Bill 599. House Bill 599 as originally worded would have restructured the existing aid allocation procedure for the program costs of general relief, foster care, hospitalization of the indigent, and auxiliary grants. Aid would no longer have been allocated by a straight percentage of costs incurred, but rather by a formula measuring the need, tax effort, and fiscal ability of the individual localities. A locality's share of program costs would have been no less than 20 percent and no greater than 50 percent.

Of other proposals made for changes in the welfare aid system, the most common calls for across-the-board cuts in the localities' share of mandatory program costs.[43] Statewide the local share of mandated program costs is 24.4 percent.[44] Possible savings to the localities as a result of lower

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[42]Information provided by the Division of Legislative Services to the Commission on State Aid to Localities and the Joint Subcommittee on Annexation, May 4, 1978.

[43]An alternate proposal would cut the localities' share of program costs for general relief, foster care, hospitalization of the indigent, and auxiliary grants to 12 percent. This would increase state aid $12.6 million for 1979-80. Information provided by the Virginia Department of Welfare, February 23, 1979.

[44]Information provided by the Department of Welfare to the Commission on State Aid to Localities, the Joint Subcommittee on Annexation, and the House Appropriation Subcommittee on House Bill No. 599, July 10, 1978.

local share percentages would be as follows:[45]

| | Local Shares for Mandated Programs | | |
|---|---|---|---|
| | 5% | 10% | 15% |
| Fiscal Relief for Counties | $ 8,838,506 | $ 6,781,569 | $4,724,632 |
| Fiscal Relief for Cities | 9,828,792 | 7,065,092 | 4,301,392 |
| Statewide Fiscal Relief | 18,667,298 | 13,846,661 | 9,026,024 |

Problems with Proposed Changes

The problem with House Bill 62 was the loss of state control over administrative costs. If administrative costs are to be solely state funded, then administrative personnel should be state employees and the costs within the control of state officials. If the personnel are to remain local employees, then there should be some local contribution. Without some local interest in the level of costs, there is no incentive to contain expenses. However, the level of local contribution should be as low as possible while still maintaining the local incentive.

The first problem with the original House Bill 599 proposal is the infrequency with which the need data can be revised. The decennial census provides the data for all four welfare need indicators. This results in a ten-year gap between major revisions, a considerable length of time during which major changes could occur.[46] Second, even with the changes proposed by the original House Bill 599, the welfare aid program may still result in localities with high incidence of need paying a greater amount per capita than those with little need. However, compared with the current program, the possibility of such an occurrence would be lessened, since localities with high levels of need would be required to pay a smaller percentage of the program's cost.

## Highways

As of December 1976, the Commonwealth of Virginia had 59,634 miles of road open to the public, of which the State Department of Highways and Transportation was responsible for approximately 85 percent. The Department of

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[45] Ibid. These figures are based on local costs before the passage of House Bill 599.

[46] Annual estimates of population by broad age groups are now made available by the Tayloe Murphy Institute.

Highways finances the construction and maintenance of all interstate highways and, except for extension within the boundaries of municipalities with populations of 3,500 or more, all primary roads throughout Virginia. Municipalities with populations of 3,500 or more share primary extensions construction costs with the state and receive assistance for primary road maintenance as well as for maintenance of other selected roads. In every county but Arlington and Henrico the department is responsible for construction and maintenance of secondary roads.

History

The present system dates back to 1932, when the localities were performing their own road service. At that time, the "Byrd Road Act" created the secondary road system and empowered the Department of Highways with the management of all such roads in every county except Arlington, Henrico, Nottoway, and Warwick, which had elected to remain independent.[47] The proceeds of the motor vehicle fuel tax were allocated to finance the system. The independent counties were to receive assistance equal to their 1931 allotment of the motor fuel tax plus normal increases for construction and maintenance of their secondary roads. The "Byrd Road Act" also provided that the municipalities receive aid in the amount of $1,500 per mile of road considered complementary to the state highway system (one-third from the state highway maintenance funds and two-thirds from the construction funds).

The highway system remained virtually unchanged until 1964, when the urban road system was established. The 1964 act provided that at least 14 percent of all highways funds, excluding federal interstate money, was to be allocated for the construction and maintenance of urban streets and highways. Construction costs for primary road extensions were to be shared--85 percent state and 15 percent local--and maintenance aid was set at $10,000 per mile for primary and $800 per mile for non-primary roads.[48] In the same year the arterial network, to be a supplement to the interstate system, was created. Arterial highways, according to the 1964 act, are primary roads that "serve as principal routes of major traffic corridors."

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[47] Nottoway County joined the system in 1932, and Warwick County is now part of the city of Newport News.

[48] Non-primary roads have to meet state standards to be eligible for maintenance assistance. Currently, construction of streets in new developments within both municipalities and counties is the responsibility of the developer. Once the road has been constructed and if it meets state standards, the state or municipality assumes maintenance responsibilities.

The state assumed full financial responsibility for the arterial system, including those segments in the municipalities.

The next major change occurred in 1977 with the overhaul of the department's allocation system. As a result of these changes, the highway funds available for construction, after deducting specific legislative appropriations, highway maintenance needs, urban street maintenance payments, and general expenses, are allocated on a fixed percentage basis among the three systems. The primary system (including the arterial network) is allotted 50 percent of available funds, and the secondary and urban systems receive 25 percent each. The motor fuel tax revenues assigned to Arlington and Henrico counties are set at fixed percentages of the total. Finally, the state's share of urban system construction costs was increased to 90 percent. Maintenance cost assistance for primary and non-primary road extensions was continued at $2,500 and $1,500 per moving lane mile, respectively (amounts previously established in 1972).[49]

Three additional changes were made in 1979.[50] First, the unpaved secondary road fund was created. Funded by 3.75 percent of the construction monies available for primary, secondary, and urban roads, this aid will be allocated to all counties (except Henrico and Arlington) on the basis of their percentage of the state's total "nonsurface tested roads" carrying fifty vehicles or more per day.[51] Second, maintenance payments for primary and non-primary road extensions were increased to $3,850 and $2,200, respectively, and henceforth will be adjusted annually by the Highway Department according to increased costs. Finally, the state's share of urban construction costs was increased 5 percent, to a total 95 percent.

## Current Status

Virginia highway finance is quite complicated since funds are allocated among the different road systems and in a number of ways for a number of purposes (i.e., construction, maintenance, and mass transit). This section details how each system is allocated its share of the available funds, and how these funds are then disbursed to the participating localities. Figure 3.1, a flow chart of the financing system, provides further assistance in understanding the distribution process.

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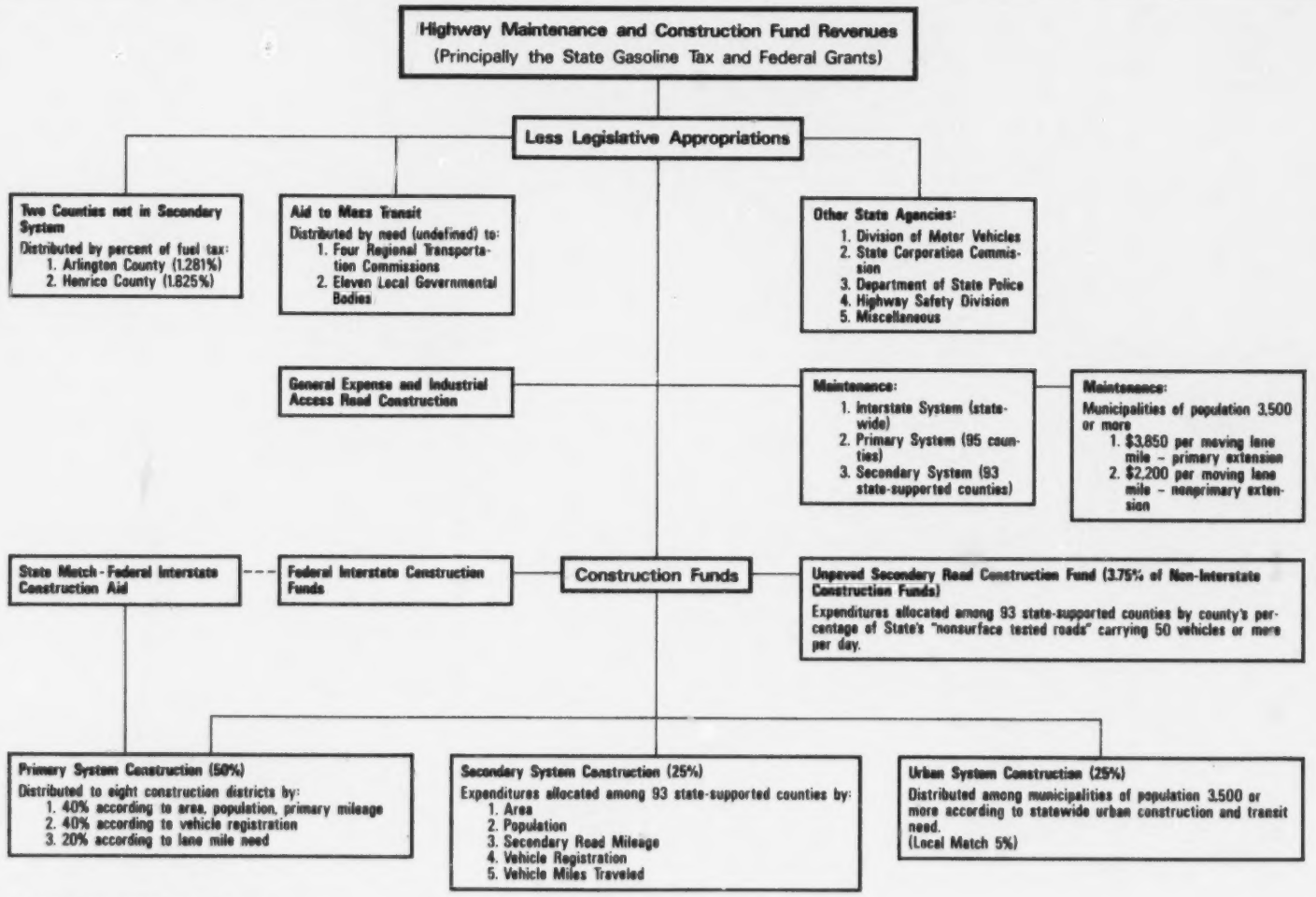
[49] A moving lane mile is defined as one mile of lane available for moving traffic during peak traffic periods.

[50] Provisions of the 1979 changes will take effect in 1979-80.

[51] It is estimated that the fund will amount to $10 million in its first year of existence. Information provided by Richard Hall-Sizemore, Division of Legislative Services, March 16, 1979.

Figure 3.1

Distribution of Highway Maintenance and Construction Funds


Highway Maintenance and Construction Fund Revenues
(Principally the State Gasoline Tax and Federal Grants)
Less Legislative Appropriations
Two Counties not in Secondary System
Distributed by percent of fuel tax:
1. Arlington County (1.281%)
2. Henrico County (1.825%)
Aid to Mass Transit
Distributed by need (undefined) to:
1. Four Regional Transportation Commissions
2. Eleven Local Governmental Bodies
Other State Agencies:
1. Division of Motor Vehicles
2. State Corporation Commission
3. Department of State Police
4. Highway Safety Division
5. Miscellaneous
General Expense and Industrial Access Road Construction
Maintenance:
1. Interstate System (statewide)
2. Primary System (95 counties)
3. Secondary System (93 state-supported counties)
Maintenance:
Municipalities of population 3,500 or more
1. $3,850 per moving lane mile – primary extension
2. $2,200 per moving lane mile – nonprimary extension
State Match - Federal Interstate Construction Aid
Federal Interstate Construction Funds
Construction Funds
Unpaved Secondary Road Construction Fund (3.75% of Non-Interstate Construction Funds)
Expenditures allocated among 93 state-supported counties by county's percentage of State's "nonsurface tested roads" carrying 50 vehicles or more per day.
Primary System Construction (50%)
Distributed to eight construction districts by:
1. 40% according to area, population, primary mileage
2. 40% according to vehicle registration
3. 20% according to lane mile need
Secondary System Construction (25%)
Expenditures allocated among 93 state-supported counties by:
1. Area
2. Population
3. Secondary Road Mileage
4. Vehicle Registration
5. Vehicle Miles Traveled
Urban System Construction (25%)
Distributed among municipalities of population 3,500 or more according to statewide urban construction and transit need.
(Local Match 5%)

SOURCE: DEVELOPED BY THE AUTHORS.

The primary system includes the major state highways and consists of 7,855 miles of road, of which 1,755 miles comprise the arterial network. Primary system funds are distributed to the eight highway construction districts (defined geographical subparts of the state). A district's share of available funds is determined by the district's proportion to the entire state of the following measures:

1. Area, population, and primary road mileage, weighted 40 percent.
2. Vehicle registration, weighted 40 percent.
3. Lane mile need (undefined), weighted 20 percent.

Matching funds for federal interstate highway aid are deducted from each district's primary funds as appropriate for the interstate within the district. The remaining primary system funds are expended exclusively within the counties, except for those spent on the arterial network for construction and as aid for mass transit.[52]

The secondary road system is the largest system, made up of 43,000 miles of road (including those in Arlington and Henrico) and comprising the majority of roads in the counties. Each county initially receives for construction an amount equal to its allotment for 1976-77. The remaining secondary roads funds are allocated among the localities according to area, population, secondary road mileage, vehicle registration, and vehicle miles traveled, each weighted equally. Each state-supported county will receive additional aid from the unpaved secondary road fund according to its share of the state's nonsurface treated roads carrying fifty vehicles or more per day. Arlington and Henrico, which maintain their own secondary road systems, received 1.281 and 1.825 percent, respectively, of the net motor fuel tax revenues for both maintenance and construction purposes.

The urban system provides money for construction of primary road extensions within municipalities and for aid to mass transit. Assistance for road maintenance is allocated to qualifying municipalities at the rate of $3,850 per moving lane mile of primary road extensions and $2,200 per moving lane mile of non-primary roads. Urban system funds are dispensed to the localities on the basis of need (undefined), usually based on population. As previously mentioned, urban system construction money may be allocated as

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[52]Mass transit assistance in the amount of $3.5 million each year is provided to the Northern Virginia Transportation Commission. The necessary funds are drawn from either the primary system or the urban system construction funds.

mass transit aid for northern Virginia; in 1977-78, the $3.5 million in assistance was taken from the urban system monies. Additional construction monies may be allocated for transit related highway facilities such as exclusive bus lanes and fringe parking facilities.[53]

Additional mass transit assistance is provided by legislative appropriations from the Highway Fund. In the 1978-80 biennium appropriations act, assistance was provided to four regional transportation commission, four urban areas, and seven local governmental bodies that serve cities and counties in their district: the Northern Virginia, Tidewater, Peninsula, and Accomack-Northampton Transportation District commissions; the areas of Richmond, Roanoke, Lynchburg, and Tri-Cities; and the cities of Bristol, Charlottesville, Danville, Fredericksburg, Harrisonburg, Staunton, and Winchester.

In addition to the regular highway system, the state operates some toll facilities. As of 1973, with its assumption of two private facilities (the Elizabeth River Tunnels and the Richmond-Petersburg Turnpike), the state operated eight such facilities. However, today revenues are collected by only four of them (the Virginia Beach-Norfolk Expressway, the Jamestown-Scotland Ferry, and two previously mentioned); the remaining four ceased charging tolls in 1976.

Two local public authorities also operate toll facilities. The Cheaspeake Bay Bridge and Tunnel Commission operates a bridge-tunnel across the Chesapeake Bay. The Commission is comprised of nine localities and had $185 million in revenue bonds outstanding as of September 1977.[54] The Richmond Metropolitan Authority, composed of the city of Richmond and the counties of Henrico and Chesterfield, operates the Richmond Expressway.[55] As of June 1977, the authority had $177 million in revenue bonds outstanding.

## Size and Recipients

Following the rather restrictive census definition of state aid, state highway aid--which is the third largest aid category--totaled $55.4 million in 1977-78 (see Table 3.10).[56] Municipal road maintenance received the bulk

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[53]Code, sec. 33.1-46.1.

[54]The nine localities are Accomack and Northampton counties; the cities of Hampton, Newport News, Norfolk, Virginia Beach, Chesapeake, and Portsmouth; and the town of Cape Charles.

[55]Of the three, only the city of Richmond has provided financial assistance to the authority.

[56]Rank is based on 1977 figure and is not expected to have changed.

Table 3.10

State Highway and Mass Transit Aid, 1977-78

| | General Definition | | Census Definition | |
|---|---|---|---|---|
| | Amount ($000) | Percent of Total | Amount ($000) | Percent of Total |
| Primary System | | | | |
| Construction | 50,623 | 13.9 | | |
| Maintenance | 52,783[a] | 14.4 | | |
| Primary aid to mass transit | 40 | 0.0 | 40 | 0.1 |
| Secondary System | | | | |
| Construction | 55,516 | 15.2 | | |
| Maintenance | 109,876 | 30.1 | | |
| Urban System | | | | |
| Construction | 41,295 | 11.3 | | |
| Municipal maintenance payments | 29,719 | 8.1 | 29,719 | 53.7 |
| Mass transit aid | 3,500 | 1.0 | 3,500 | 6.3 |
| Arlington and Henrico | | | | |
| Motor fuel tax | 8,540 | 2.3 | 8,540 | 15.4 |
| Federal aid | 520 | 0.1 | 520 | 0.9 |
| Mass transit aid | | | | |
| Legislative appropriation | 13,063 | 3.6 | 13,063 | 23.6 |
| Total | 365,475 | 100.0 | 55,382 | 100.0 |

Source: Virginia Highway and Transportation Commission, "Financial Supplement to the Seventy-First Annual Report" (Richmond, 1979).

Note: See text, p. 13 for explanation of general and census definitions.

[a]Based on Highway Department estimates.

of aid dollars, $29.7 million or 54 percent.[57] Arlington and Henrico counties received $9.1 million or 16 percent of the total.

A less stringent definition of 1977-78 state highway aid would include expenditures for the primary system (excluding the arterial portion) and the secondary system, as well as urban system construction costs. These additions would add $310.1 million for total state aid of $365.5 million, approximately $101.8 million more than in 1976-77. The secondary road system would add $165.4 million to state highway aid, the primary system would increase aid by $103.4 million, and $41.3 million would be added by urban construction.

Excluding mass transit aid, state assistance for municipal roads in 1977-78 ($71.0 million) was roughly one-fourth of the amount received by counties ($277.9). In addition, aid is provided to the counties without strings, while the municipalities are required to provide matching funds equal to one-tenth of the total construction costs. In 1977-78, the municipalities contributed $4.6 million to obtain $41.3 million in construction aid.[58] If the counties had been required to meet 10 percent of all construction costs, it would have required an outlay of approximately $10.6 million, not counting secondary road construction by Arlington and Henrico counties.

Information on local spending for streets and highways in 1975-76 (the most recent year available) is shown in Table 3.11. The data are grouped by municipalities, the two counties that maintain their road systems, and the state-supported counties. The municipalities spent $84.7 million, of which current local sources provided 30 percent of the funding. Receipts from bond sales (another form of local financing) provided 31 percent of the funding, state aid (by census definition) furnished 32 percent, and federal aid provided 7 percent. Arlington and Henrico counties, the two that maintain their road systems, spent $13.5 million. Their sources of funding were current local sources (30 percent), state aid (69 percent), and federal aid (1 percent). The ninety-three remaining counties that are state supported spent only $618,000. Of this amount, 22 percent came from current local sources, 32 percent from state aid, and 46 percent from federal aid. Bond receipts were not a source of funds in 1975-76 for any of the state's counties.

Per capita highway spending was $36.43 in the municipalities, $41.91 in Arlington and Henrico counties, and $0.25 in the state-supported counties.

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[57] The 1979 change will increase urban road maintenance aid by approximately $14.3 million. Information provided by the Virginia Department of Highways and Transportation, March 23, 1979.

[58] With the 1979 changes the municipalities' contributions will be halved.

Table 3.11

Local Financing of Highways, 1975-76

| | Municipalities | | | | Arlington and Henrico Counties | State Supported Counties |
|---|---|---|---|---|---|---|
| | Total | Under 5,000 Population | 5,000 to 49,999 Population | 50,000 and over Population | | |
| Disbursements ($000) | 84,670 | 3,729 | 21,503 | 59,438 | 13,548 | 618 |
| Direct highway disbursements | 65,047 | 3,274 | 17,994 | 43,759 | 8,765 | 618 |
| Capital outlay | 20,118 | 890 | 5,145 | 14,083 | 2,942 | 299 |
| Maintenance | 35,549 | 2,062 | 11,212 | 22,275 | 4,658 | 311 |
| Equipment | 920 | 73 | 255 | 592 | ... | ... |
| General Administration and engineering | 5,703 | 249 | 1,358 | 4,096 | 1,165 | 8 |
| Other[a] | 2,757 | ... | 24 | 2,733 | ... | ... |
| Payments to state government | 7,575 | 416 | 2,154 | 5,005 | ... | ... |
| Debt service | 12,048 | 39 | 1,355 | 10,654 | 4,782 | ... |
| Receipts ($000) | | | | | | |
| Local sources | 51,615 | 2,325 | 11,612 | 37,678 | 4,079 | 133 |
| Current sources[b] | 25,398 | 2,325 | 9,611 | 13,462 | 4,079 | 133 |
| Bond sources | 26,217 | ... | 2,001 | 24,216 | ... | ... |
| State sources | 27,295 | 1,293 | 8,511 | 17,491 | 9,333 | 199 |
| Federal sources | 5,757 | 111 | 1,378 | 4,268 | 136 | 286 |
| Exhibit: | | | | | | |
| Per capita receipts from ($): | | | | | | |
| Local sources | 22.21 | 10.94 | 18.34 | 25.47 | 12.62 | 0.07 |
| Current sources | 10.93 | 10.94 | 15.18 | 9.10 | 12.62 | 0.07 |
| Bond sources | 11.28 | ... | 3.16 | 16.37 | ... | ... |
| State sources | 11.74 | 6.08 | 13.44 | 11.82 | 28.87 | 0.07 |
| Federal sources | 2.48 | 0.52 | 2.18 | 2.89 | 0.42 | 0.11 |
| Total | 36.43 | 17.54 | 33.96 | 40.18 | 41.91 | 0.25 |
| Percent of disbursement from (%): | | | | | | |
| Local sources | | | | | | |
| Current sources | 30.0 | 62.3 | 44.7 | 22.6 | 30.1 | 21.5 |
| Bond sources | 31.0 | ... | 9.3 | 40.7 | ... | ... |
| State sources | 32.2 | 34.7 | 39.6 | 29.4 | 68.9 | 32.2 |
| Federal sources | 6.8 | 3.0 | 6.4 | 7.2 | 1.0 | 46.3 |
| Population (number) | 2,324,643 | 212,465 | 633,101 | 1,479,077 | 323,246 | 2,644,558[c] |

Sources: Institute of Government, University of Virginia, "Cost of Financing Virginia Municipal Highways," an unpublished report prepared for the Virginia Department of Highways and Transportation, August 1978; and U.S. Bureau of the Census, "1973 (Revised) and 1975 Population Estimates and 1972 (Revised) and 1974 Per Capita Income Estimates for Counties and Incorporated Places in Virginia," Current Population Reports, Series P-25, N. 694 (Washington, D.C.: U.S. Government Printing Office, May 1977).

Note: Disbursements for highway and traffic police, which are included as direct highway disbursements in "Cost of Financing Virginia Municipal Highways," have been excluded here since they are included as law enforcement expenditures elsewhere in this study.

[a] This category includes a traffic study for Williamsburg ($24 million), land structures and improvements for Virginia Beach ($379 million), and a grant for the Richmond Metropolitan Authority ($2363 million).

[b] Derived by subtracting the sum of state aid, federal aid, and bond proceeds from total disbursements.

[c] Includes population of towns.

Among the municipalities, per capita amounts ranged from $40.18 in the 10 cities with populations of 50,000 and over to $17.54 in the 175 municipalities with less than 5,000 population.[59] These figures do not reflect the strain on local fiscal resources, however; to measure this strain, it is necessary to compare per capita spending from only local sources (defined to include current sources and bond sources). Such spending was $22.21 for municipalities, $12.62 for Arlington and Henrico, and $0.07 for the state-supported counties. Among the municipalities, local support ranged from $25.47 for the largest cities to $10.94 for the small municipalities. Thus, the strain on local resources varied greatly, with the greatest contrast between localities responsible for maintaining their own systems and the state-supported counties.

## Suggested Changes

When the method of financing state roads was adopted in 1932, the significant differences then existing between counties and cities contributed to the development of a dual financing system. Sparsely populated rural counties lacked the necessary tax resources and powers that were available to the cities to finance a system of roads. Furthermore, the lack of any cities of a considerable size, combined with a largely rural population that was fairly well distributed across the state, made the problem one of building a system of roads that could service the whole state rather than building heavy trunk lines between large population centers. The greatest need was considered to be the construction of a farm-to-market road network. These factors, together with the power and importance of the Byrd Organization with its strong rural bias, all led to the adoption of a dual financing system that favored the nonurban component.

Today this sharp contrast between counties and cities no longer holds. Many counties are quite urban, and for some the only characteristic they have in common with rural counties is that they both are called counties. The road requirements of a city and the surrounding suburban counties no longer differ greatly. However, despite all of these changes, the archaic system of dual financing still exists. The cities and towns continue to pay large amounts for the construction and operation of their own street systems, while the counties contribute virtually nothing. Aside from their share of maintenance and primary road construction costs, municipalities spent an estimated $25 million in 1975-76 on non-primary urban road construction (the equivalent of county secondary roads).[60]

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[59] Thirty-nine municipalities were included in the 5,000 to 49,999 category.

[60] Institute of Government, University of Virginia, "Cost of Financing Virginia Municipal Highways," an unpublished report prepared for the Virginia Department of Highways and Transportation, August 1978.

One explanation offered for this system of requiring municipalities to pay a portion of the cost of municipal primary roads while state-supported counties do not is that cities and towns, unlike the counties, have control over which projects will be undertaken and control of street usage. A municipality decides which projects it wants to pursue, and thus what future costs it wishes to bear, and the state then proceeds with construction. The state cannot undertake a project without the local government's approval unless the state itself will bear all future costs. A state-supported county, on the other hand, cannot prevent the state from constructing those roads that the state sees fit to build. For these privileges, the municipality pays a portion of the costs. This argument falters on two counts. First, while a municipality theoretically may be able to veto a proposed project or project site, the cities' growth and expanding need for roads make it unlikely that a government could long resist the demand for new construction. Second, a county, while not having a final veto, is consulted. As required by law, a cooperative program is developed jointly by the boards of supervisors and the highway department regarding how the highway department should spend the county's share of secondary highway funds; and the county's recommendations act as a guide to the state in its primary road program.

The current imbalance in highway financing could be corrected in one of three possible ways.

1. The state-supported counties could be required to pay a portion of the costs for constructing and maintaining the roads within their boundaries. This would place the counties on an equal footing with the cities and towns. Such a change would cost the state nothing but would, in fact, save state money by shifting some of the cost to those who may benefit most from the roads, the county residents. However, because of the political strength of the counties in the General Assembly, the adoption of such a proposal is highly unlikely.

2. The state could assume complete responsibility for construction and maintenance of all urban roads, treating municipalities as it now does state-supported counties. This proposal would be the most costly, requiring roughly $40 million as of 1975-76; such high costs would argue strongly against this alternative. However, with the 1979-80 increase in the state's share of both construction and maintenance costs, the cost of the proposal is greatly reduced. This proposal has been partially implemented with the adoption in 1979 of House Bill 603. Under the provisions of that bill, any city that has been barred from further annexation can elect to be treated the same as a county for purposes of state maintenance and construction of streets and highways.[61] Cities electing to receive this status must give two years' notice and must maintain the classification for a minimum of eight years.

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[61]Code, sec. 15.1-977.24. The cities are those of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park, Martinsville, Norfolk, Poquoson, Richmond, Roanoke, and Salem. House Bill 603 also provides for the same treatment for state police services.

3. The state could provide construction aid for non-primary urban roads.

Obviously, adoption of the second or third proposal would require either increases in current taxes, new taxes, or a reduction in spending for state-supported counties.

# CHAPTER 4

# DESCRIPTION AND ANALYSIS OF SELECTED STATE AID PROGRAMS

This chapter contains a review of the state aid programs for constitutional officers, health, general local government support, mental health and mental retardation, law enforcement, and the judiciary. Also, the concluding section of this chapter gives a brief overview of the state aid programs included in this study. In addition to the programs discussed in this study, the state also provides aid for libraries, jails and juvenile facilities, registrars and elections, airport construction, sewage facilities, and many other programs. Those functions not reviewed either are small in monetary value, are principally composed of federal pass-through money, or involve capital projects that are usually handled by local enterprise funds of special authorities.

## Constitutional Officers

In accordance with the 1971 Virginia constitution and statutory law, most cities and counties have five elected "constitutional officers"--a treasurer, a sheriff, an attorney for the commonwealth, a clerk of the court in the office where deeds are recorded (circuit court), and a commissioner of revenue. Although the great majority of cities and counties have their own officers, some of the smaller cities share some constitutional officers with their adjoining counties. Also, under certain optional forms of county government, the offices of the commissioner of revenue and treasurer are abolished.

### Current Aid Program

Based on the rationale that constitutional officers perform state as well as local functions or are involved in the administration of state laws, the state shares in the cost of operating their offices. The general procedure is for the state to pay certain percentages of locally incurred costs. The State Compensation Board has the responsibility of certifying the permissible costs for the state's share within legislative guidelines for population size groups and overall appropriations. Localities are free to supplement the approved outlays if they wish to pay the entire cost of such additions. The specific features of the cost sharing for each type of constitutional officer are discussed in more detail below.

Commissioners of Revenue. Localities receive state aid totaling one-half of the approved expenditures for the office of commissioner of revenue. The only exception to this general rule is that the state share is limited to one-third of the amount spent for office equipment and furniture and equipment rental. In 1976-77, ninety of the ninety-five counties had elected commissioners of revenue. In one county, an appointed supervisor of assessments performed the duties of the commissioner, while in the remaining four counties appointed directors of finance were responsible for the combined duties of the commissioner of revenue and the treasurer. Forty cities had commissioners of revenue; in the remaining city, an appointed revenue supervisor performed the duties of the commissioner.[1]

Commonwealth's Attorneys. The state presently bears one-half of the approved costs of commonwealth's attorneys, but beginning in 1980-81 the state share will increase to 100 percent. In 1976-77, every county had a commonwealth's attorney, but only twenty-seven of the forty-one cities had their own position.[2] The remainder of the cities shared a commonwealth's attorney with the adjoining county; examples are Lexington-Rockbridge and Emporia-Greensville.

Sheriffs. The state currently bears two-thirds of the approved cost of sheriffs' offices, but beginning in 1980-81 the state will cover the entire amount. In the cities, sheriffs have no law enforcement responsibilities. They operate jails and serve as court officers. In most of the counties, sheriffs are general law enforcement officers, although they do not function as such in the large urban counties that operate their own police departments. In most counties, traffic patrol is performed by the Department of State Police as well as by the sheriffs; the contribution of each to the total effort varies from one jurisdiction to another. In 1976-77, all ninety-five counties had sheriffs, and thirty cities had their own.[3] As in the case of commonwealth's attorneys, the other cities shared sheriffs with adjoining counties.

Treasurers. The basic state share for treasurers' offices is one-half of all approved expenses except those for office furniture and equipment and equipment rentals, for which the state share is one-third. However, there are numerous exceptions. In the cities of Danville, Petersburg, and

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[1] Code, secs. 15.1-582 through 15.1-668 and 15.1-722 through 15.1-791; Virginia State Compensation Board, Report of the Compensation Board, 1976-77 (Richmond, 1978), pp. 10-11.

[2] Virginia State Compensation Board, Report of the Compensation Board, 1976-77, pp. 6-7.

[3] Ibid., pp. 13-14.

Williamsburg, the basic state share is higher (two-thirds) because the treasurers disburse but do not collect local revenues. In the cities of Galax, Lynchburg, and Richmond, the state share rises to 100 percent because in these localities the treasurer does not handle local revenues. In 1976-77, ninety of the ninety-five counties had elected treasurers. An appointed director of finance performed the duties of the treasurer in one county and the combined duties of the treasurer and the commissioner of revenue in the remaining four counties.[4] Treasurers were elected in all but one city.

Clerks. In most localities the office of the clerk of the circuit court is separate from the local government structure. Fees and commissions collected by the clerks are not counted as county or city revenues. If the clerks' fees and commissions exceed authorized expenditures, the excess fees are shared on a one-third state, two-thirds locality basis. In the remaining localities the clerk's office is part of the local government structure, and fees and commissions collected by that office are counted as local government revenue.[5] If the fees and commissions exceed authorized expenditures, one-third of the excess is shared with the state.

Of the two organizational methods, the second is the most reasonable since the clerk's office should be included as an integral part of local government, and revenues collected by it should be merged with other local government revenue. It is interesting to note that if this method is accepted, then there is no state aid for clerks, but rather local aid to the state in the form of one-third excess fees!

Summary. In 1976-77, state aid for constitutional officers totaled $36.0 million (see Table 4.1).[6] If the additional aid for commonwealth's attorneys and sheriffs that becomes effective in 1980-81 had applied in 1976-77, state aid would have been $48.7 million. This figure understates the total amount of aid since it excludes the state share of employee benefits.

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[4] Ibid., pp. 8-9; Code, secs. 15.1-582 through 15.1-668 and 15.1-722 through 15.1-791.

[5] The counties of Albemarle, Fairfax, Henrico, Roanoke, and Prince William and the cities of Newport News, Petersburg, Portsmouth, Richmond, and Roanoke.

[6] This amount includes $2.3 million in excess fees of clerks that are shared with the localities. As noted in the text, this amount would not appear as state aid if the second organizational method were universally employed.

Table 4.1

State Aid for Constitutional Officers, 1976-77

| | Amount of State Aid ($) | State Share (%) |
|---|---|---|
| Commissioners of revenue | 4,798,549 | 50 |
| Commonwealth's attorneys | 2,596,337 | 50 |
| Sheriffs | 20,183,929 | 67 |
| Treasurers | 6,130,535 | 53 |
| Clerks of courts | 2,282,967 | not applicable |
| Total | 35,992,317 | |

Source: Virginia State Compensation Board, Report of the Compensation Board, 1976-77 (Richmond, 1978).

Note: The state share is the percentage of total authorized expenditures.

## Possible Changes in the Current System

The current system is a holdover from an earlier day when the state government exercised strong political control over the local courthouses.[7] The operation of the program requires maintaining the State Compensation Board and its staff. The three-member board, which is composed of a chairman, the Auditor of Public Accounts, and the State Tax Commissioner, spends many hours in the tedious work of authorizing the staffing and expenditures of the many constitutional officers throughout the state.

An alternative to the present system would be to provide direct aid to local governments for the support of commissioners of revenue, commonwealth's attorneys, sheriffs, and treasurers. The aid could be on a general basis,

[7] J. Harvie Wilkinson III, Harry Byrd and the Changing Face of Virginia Politics, 1945-1966 (Charlottesville: University Press of Virginia, 1968), pp. 31-32.

such as population. Providing aid in this way would release the state from the job of approving local staffing and budgets. For circuit court clerks, the simplest approach would be to require that their commissions and fees be treated completely as local government revenue. No sharing of these revenues with the state should be required. Such a change would result in only a small loss to the state; in calendar year 1976 the one-third state share of the clerks' commissions and fees was only $1.1 million.

House Bill 599, enacted in 1979, ties state aid for local police to the level of state aid for sheriffs in those localities without police departments.[8] If general aid for constitutional officers were substituted for the present system of sharing authorized expenditures, a new basis for determining state aid for police would need to be developed.

## Health

Aid to localities for health programs is provided by the State Department of Health through the operation and partial funding of district health departments.[9] Through the district departments, the state provides both personal and environmental health services (see Table 4.2). These departments are formed at local initiative and may consist of a single locality or a combination of cities and counties. At present, the existing 136 localities are grouped into 35 districts. District health departments are considered part of the State Department of Health; the state operates the program with the localities reimbursing the state for their share of the cost. For 1976-77, the state allocated $25.9 million for the operation of the district health offices.[10] Local governments provided a total of $19.7 million, exceeding their required matching share by $1.8 million.

### The Present Aid Program

Although available state funds are allocated under no prescribed formula, the aid that a locality receives reflects the pattern of past allocations. Historically, willingness to provide matching funds determined the dollar aid

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[8] See p. 97 for a full discussion of new state aid for local police.

[9] Aid for health programs has not been recognized by the Census Bureau as state assistance since 1975-76. It is treated as aid by the state government, however, and as such has been included here.

[10] Information provided by the Virginia Department of Health to the Commission on State Aid to Localities, dated August 12, 1977.

Table 4.2

Services Provided in Local Health Departments

1. Dental Health Services:
   a. Pediatric dental health education
   b. Adult dental corrective services
   c. Oral cancer screening
2. Environmental Health Services:
   a. Safe sewage disposal and drinking water services
   b. Sanitary food and public establishment inspectional services
   c. Community protection services
3. Family Planning Services:
   a. Family planning educational services
   b. Clinical family planning services including provision of methods of contraception.
4. General Medical Services:
   a. Diagnostic clinical services
   b. Treatment and referral services including provision of drugs
   c. Prevention and treatment of communicable diseases
   d. Medical social work services
5. Home Health Care Services:
   a. Professional treatment of home-bound patients by nurses, therapists, etc., under orders of a licensed physician
   b. Educational services to assist home-bound patients to remain de-institutionalized
6. Local Administrative Services:
   a. Planning and general management of local health department services
   b. Registration of birth and death records
7. Maternal and Child Health Services:
   a. Pediatric screening for health defects and referral for treatment
   b. School health services
   c. Maternity patient care and educational services
   d. Nutrition services
8. Local Health Support Services
   a. Environmental and clinical laboratory services
   b. Pharmacy services for health department patient care programs

Source: Information provided by the Virginia Department of Health, January 19, 1979.

received. Readiness to provide matching funds continues to play a role in the allocation of health aid, as does need (undefined) and the limitations of the health department budget.[11] While all of these factors enter the allocation process, it is population that proves to be a good estimator of dollar assistance received.[12]

A locality's share of approved operating expenses is based on its ability-to-pay as determined by the Department of Health's formula (this formula is not legislated).[13] Ability-to-pay is the only factor that is currently considered in establishing a locality's percent share contribution. The basis of measurement used in the formula is the aggregate true market value of real property, including public service property, as determined by the most recent available assessment/sales ratio study performed by the Department of Taxation that is available at the time the state budget is prepared.

The existing formula was adopted by the Department of Health in 1954 and was modified in 1964 to its present form. A locality's share of approved operating expenses is set at no less than 18 percent and no more than 45 percent. A ceiling of $391,951,000 is placed on aggregate true value of real property. Any locality having a higher value automatically pays the maximum 45 percent. Without this type of ceiling the nature of the formula makes it possible that a large locality such as Fairfax County, with a true value so much greater than all the rest, would result in the other localities being clustered at the lower end of the scale while it paid the maximum 45

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[11] Older districts that had matching funds available and so originally received large amounts of aid continue to receive these large shares because the State Department of Health attempts to maintain existing programs. Because of the limited funds available, it is difficult to increase funding for new or growing districts.

[12] When state aid is regressed on population, the following result is obtained: $r^2=.85$ (significant at the .01 level). All data used in regressions in this section were for 1975-76 with the exception of true value of real property data, which covered 1973, the year of data used in the formula.

[13] Approved operating expenses include personnel costs and costs of providing mandated services. The extent of the costs depends on the scope and sophistication of services provided, which, in turn, depends on the availability of funds. Excluded services include Medicaid, maternal and child health, tuberculosis, Bureau of Crippled Children's hospitalization, and highly specialized technical services.

percent.[14] The ceiling was established to prevent just such an occurrence. The formula is as follows:

$$\frac{Y - Y1}{Y2 - Y1} = \frac{X - X1}{X2 - X1} \quad \text{or} \quad Y = \frac{(Y2 - Y1)\ (X - X1)}{X2 - X1} + Y1$$

Y = locality's percent contribution

Y1 = 18 percent (minimum share)

Y2 = 45 percent (maximum share)

X = locality's aggregate true value of real property

X1 = aggregate true value of real property of locality with lowest true value

X2 = $391,951,000 (ceiling on true value of real property)

For 1976-77, the city of Clifton Forge had the lowest aggregate true value and contributed the minimum of 18 percent. Of the 132 localities (95 counties and 37 of the 41 cities) for which data were available, 32 localities, or nearly one-fourth of the total, contributed the maximum of 45 percent; of that number, 12 were cities.[15] The overall weighted mean percentage contribution was 40.9 percent. For cities, the mean contribution was 42.9 percent, and for counties it was 38.8 percent (see Table 4.3).

The $25.9 million in state aid for 1976-77 was divided almost equally between the cities and counties. The city of Richmond, whose formula share was 45 percent, was both the largest dollar recipient and the largest dollar contributor, collecting $2.5 million from the state and providing $2 million from its own sources. Fairfax County-Fairfax City, whose local percent share was also 45 percent, was next, receiving $2.3 million in aid and providing $1.9 million. The city of Norton received the smallest amount ($17,362) and contributed the least ($8,457); Norton's local share was 32.1 percent.

Per capita state aid in 1975-76 ranged from a high of $16.11 for Craig County to a low of $1.70 for Henrico County. The overall per capita aid

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[14] As an example: In 1973, Fairfax County had the highest aggregate true value ($8,577,936,000) and paid 45 percent. Arlington County was next, paying 45 percent on $3,325,615,000 of aggregate true value. If there had been no ceiling on true value, Fairfax County would still have paid 45 percent, but Arlington's contribution would have fallen to 26.8 percent. The remaining localities would have had even lower percent share contributions.

[15] Data on current formula were available for only 132 of the total 136 localities. Fairfax, South Boston, and Bedford cities were combined with their adjoining counties. The city of Poquoson was excluded for lack of additional data.

Table 4.3

Distribution of Localities' Percent Contributions for Health Programs, 1976-77

| Local Percentage Contribution | Localities | | Cumulative Percentage |
|---|---|---|---|
| | Number | Percent of Total | |
| 18-19.9 | 8 | 6.1 | 6.1 |
| 20-23.9 | 20 | 15.2 | 21.3 |
| 24-27.9 | 24 | 13.2 | 39.5 |
| 28-31.9 | 16 | 12.1 | 51.6 |
| 32-35.9 | 16 | 12.1 | 63.7 |
| 36-39.9 | 9 | 6.8 | 70.5 |
| 40-43.9 | 7 | 5.3 | 75.8 |
| 44-45 | 32 | 24.2 | 100.0 |
| | 132 | 100.0 | |

Exhibit:

| | | |
|---|---|---|
| Median | 31.2% | |
| Mean | Weighted | Unweighted |
| All (132) | 40.9% | 32.6% |
| Counties (95) | 38.8 | 32.3 |
| Cities (37) | 42.9 | 33.4 |
| Range | 18-45% | |

Source: Information submitted to the Commission on State Aid to Localities and Joint Subcommittee on Annexation by the Virginia Department of Health, September 29, 1977.

Note: Data on current formula were available for only 132 of the total 136 localities. Fairfax, South Boston, and Bedford cities were combined with their adjoining counties. The city of Poquoson was excluded for lack of additional data.

Problems with Current Formula

The first problem to be found in the current formula is that the aggregate true value of real property is a poor measure of ability-to-pay.[16] The aggregate figure only partially measures ability-to-pay; it also measures the size of a locality. As an example, Tazewell County paid 37 percent based on an aggregate true value of $291.8 million; however, with a population of 42,900, Tazewell had a per capita true value of only $6,802. On the other hand, Rappahannock County paid 24 percent based on a $118.5 million aggregate true value; but with a population of only 5,200, Rappahannock's true value per capita was $22,790. Thus, Tazewell, with less than one-third of Rappahannock's per capita ability-to-pay, had a percent share, under the current formula, one and a half times higher than Rappahannock. In fact, population, as a measure of size, better explains local percentage contribution than does true value.[17] Population has a direct relationship with local contribution until the 45 percent maximum is reached. To remove the effect of size, aggregate true value could be standardized by population and true tax value per capita used.

The second problem with the formula is the ceiling on the aggregate true market value of real property. While inflation has increased property values, this ceiling has not been raised. Consequently, an increasing number of localities are being pushed into the 45 percent contribution bracket. When the ceiling was first established, only 9 of 130 localities paid the maximum 45 percent. At present, 32 localities pay the maximum. The weighted mean local contribution has risen in the same time period from 32 percent to 40.9 percent.

An additional fault with the present formula is that is does not allocate state aid on the basis of need. A proposed formula in the original House Bill 599 (see discussion below) uses Medicaid enrollment as the measure of need.[18] However, even using this measure, little relationship exists between need and local percentage contribution.[19] An alternate measure of need is

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[16] Even if true value were assumed to be a good measure of ability-to-pay, it does not correlate very well with a locality's percentage share ($r^2$=.22, significant at the .01 level).

[17] $r^2$=.28 vs. $r^2$=.22, respectively (significant at the .01 level).

[18] The exact variable is the ratio of state Medicaid enrollment per capita to a locality's Medicaid enrollment per capita. The greater the value, the less the need.

[19] $r^2$=.15, significant at the .01 level.

perinatal death rate.[20] But again, as with Medicaid enrollment, little relation can be found between need defined in that way and local percentage contribution.[21]

House Bill 599 Formula

A new formula for establishing the local percentage share was proposed and was incorporated in the original House Bill 599. The allocation of state monies among local health departments was not addressed by this bill. The proposed formula was the same as that contained in the original House Bill 599 for welfare, with the exception that the measure of need is specific to the health programs. A locality's relative incidence of need for the purpose of the formula was defined as the ratio of the percentage of the locality's population enrolled in the Virginia Medical Assistance Program (Medicaid) to the same percentage for the state as a whole.

Problems with the Original House Bill 599 Formula and Suggested Solution

Although the original House Bill 599 formula was better than the current formula, it was far from ideal. The proposed measure of need, Medicaid enrollment, was possibly a good measure for a majority of health services; however, such a measure does not adequately reflect the need for some of the services provided, most notably environmental health services, for which population is a more accurate estimator. A more complete measure of need would be a composite of various need measures, a technique currently used for the mental health programs (see page 92). A composite of various need measures, weighted by their importance, would give a more accurate picture of a local health department's true total health need.

The House Bill 599 formula for allocating health aid, like that for welfare, may result in localities with a high incidence of need paying a greater per capita amount than those with little need. Requiring a fixed

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[20] The exact variable is the ratio of the sum of a locality's infant deaths under one week and its fetal deaths twenty-eight weeks and over to the sum of its live births and its fetal deaths twenty-eight weeks and over, all divided by the state perinatal death rate. Data for 1975 were used for figuring the perinatal death rate.

[21] $r^2 = .03$, significant at the .05 level. The regression equation is local percentage contribution = 3.516 - 2.294 (perinatal death rate).

level of local per capita expenditure adjusted according to a locality's ability and effort measures would make the program's financial burden more equitable. (For a more detailed discussion of this point, see the section on welfare assistance.)

## General Local Government Support

The state provides general local government support by sharing certain revenue sources with the localities. These revenues are composed of alcoholic beverage control (A.B.C.) profits, the wine tax, excess fees of clerks, the motor carrier rolling stock tax, taxes on boxing and wrestling, and the state sales tax. Since the local share of the state sales tax is earmarked for public education, that form of shared revenue, which is substantial, is discussed in the section on state aid for education. The excess fees of clerks, which may or may not constitute state aid depending upon the accounting concept adopted, are discussed in the section on state aid for constitutional officers. The remaining types of shared revenues, all of which are general sources not earmarked for particular purposes, are reviewed here.

### A.B.C. Profits

The state distributes two-thirds of the A.B.C. profits in excess of $187,500 per quarter to the cities, counties, and towns. In 1976-77, total net profits were $27,494,468 so the quarterly deduction, equivalent to $750,000 annually, was small in relation to the total amount available for distribution to the localities. The total amount distributed in 1976-77 was $18,325,307, of which 42.3 percent went to cities, 51.0 percent to counties, and 6.7 percent to towns.[22]

The basis for distribution is the population of the localities according to the last preceding decennial census. (County populations are adjusted to exclude populations of incorporated towns within their boundaries.) Consequently, the population figures are changed only every ten years. This infrequent adjustment for population change results in a relative advantage for localities that are either losing population or growing at a rate below the state average. On the other hand, high growth areas are at a relative disadvantage. From 1970 to 1977, fifty-five of the ninety-five counties and

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[22]Virginia Department of Accounts, Report of the Comptroller, 1976-77 (Richmond, 1977), pp. 43, 75-77.

twelve of the forty-one cities grew faster than the state average.[23] In general, the high growth localities were suburban counties and small cities with populations under 25,000. The slow growth localities included many rural counties, some small cities, and all of the large central cities. A by-product of the infrequent adjustment for population change is that when the new census figures become available, large changes in the entitlements occur for those individual localities with growth rates quite divergent from the state average. For example, the Division of Legislative Services has estimated that the city of Richmond, which has lost population since 1970, will experience a $225,066 loss (26 percent) when the 1981 distribution is made. In contrast, fast-growing Chesterfield County will experience a $132,937 gain (44 percent).[24]

Another problem with distributing A.B.C. profits by population is that population is the sole measure of need, and no adjustment is made for fiscal ability or effort.

Wine Tax

Two-thirds of the state wine taxes and A.B.C. mark-ups in lieu of a wine tax are shared with cities and counties (towns are excluded).[25] In 1976-77, the total amount distributed was $1,900,382 with 42.3 percent going to the cities and 57.7 percent to the counties.[26] The basis for distribution of this shared revenue is the same as for A.B.C. profits--the decennial census of population--and the implications of that type of formula also apply to the wine tax. The only difference is the magnitude involved; the wine tax distribution is only about one-ninth the size of the A.B.C. profits distribution.

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[23]Julia H. Martin and William J. Serow, "Estimates of the Population of Virginia Counties and Cities: July 1, 1976 and July 1, 1977" (Charlottesville: Tayloe Murphy Institute, University of Virginia, 1978).

[24]Division of Legislative Services, "An Alternative Method of Distributing the A.B.C. Profits," submitted to Commission on State Aid to Localities and Joint Subcommittee on Annexation, May 4, 1978.

[25]Code, sec. 4-24.

[26]Virginia Department of Accounts, Report of the Comptroller, 1976-77, pp. 75-77.

## Motor Carrier Rolling Stock Tax

The state imposes a rolling stock tax of $1 per $100 of assessed value on private bus companies, limousine companies, and intrastate common carriers in lieu of local personal property taxes. Proceeds from the rolling stock tax, which is administered by the State Corporation Commission, are returned to the localities based on vehicle route miles in each locality.[27] In tax year 1977, sixty-one companies were subject to the tax, and their total tax liability was $282,786.[28] Of this amount, 75.3 percent went to counties, 22.1 percent to cities, and 2.6 percent to towns.[29] This tax is a minor source of revenue to localities; the largest amount distributed to a single locality in 1976-77 was only $15,113. Thirty-one of the counties received less than $1,000, and twenty-five of the cities received either nothing or less than $1,000. Forty-six of the towns received nothing, and ninety-two received less than $50.

The rolling stock tax on common carriers was examined by George E. Hoffer and Charles J. Gallagher in a study for the Revenue Resources and Economics Study Commission.[30] In 1977, there were thirteen common carriers, and together they accounted for 45 percent of all rolling stock tax levies.[31] Hoffer and Gallagher observe that if the rolling stock tax were replaced by locally administered personal property taxes based on situs of the rolling stock, the tax yield would increase by three or four times, but the distribution of the proceeds would narrow to those localities in which the property was located. Rather than abandoning the rolling stock tax, they recommend the extension of the levy to all interstate and intrastate motor carriers operating under permits or certificates of convenience. All carriers, with the exception of private and exempt carriers, would pay a rolling stock tax in lieu of personal property taxes. Under the proposal, foreign registered vehicles, which are currently exempt from local property taxes, would pay the rolling stock tax.

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[27] Code, secs. 58-622 through 58-623.

[28] State Corporation Commission, Motor Vehicle Carriers, "A Statement showing for Each Motor Carrier the Value of its Rolling Stock as of January 1, 1977" (Richmond, n.d.).

[29] Virginia Department of Accounts, Report of the Comptroller, 1976-77, pp. 75-82.

[30] George E. Hoffer and Charles J. Gallagher, "Rolling Stock Tax" in Barry E. Lipman et al., Fiscal Prospects and Alternatives: 1974, pp. 347-54.

[31] State Corporation Commission, "A Statement as of January 1, 1977."

## Taxes on Admissions to Boxing and Wrestling Matches

The Virginia Athletic Commission collects license taxes for showing or exhibiting boxing, sparring, or wrestling matches. The taxes are placed in a special fund from which the expenses of the commission are paid. Of the remaining balance, one half is distributed to the city, county, or town in which the revenue was collected if the amount exceeded $399.[32] In 1976-77, the total amount shared with localities was a minuscule $27,714.[33] Only sixteen localities received any revenue, and three of those--the cities of Norfolk, Richmond, and Roanoke--accounted for nearly three-fourths of the total distribution.

## Proposals for Change

If population is accepted as the sole basis for distributing both A.B.C. profits and the wine tax, then the only modification in the formulas worth considering is the use of the current population estimates for non-census years. Annual estimates for cities and counties are made by the Tayloe Murphy Institute of the University of Virginia in cooperation with the U.S. Bureau of the Census, through the Federal-State Cooperative Program for Local Population Estimates. Estimates for towns are provided about every two years by the Bureau of the Census for use in the federal general revenue sharing formula. Use of the most recent available population estimates would end the current bias against growth localities and would reduce the abrupt changes in the level of funding that now occur every ten years with the incorporation of new census data in the formulas. More fundamental changes in the distribution of A.B.C. profits and the wine tax would involve adding measures of need and effort to the formulas.

The motor carrier rolling stock tax is a minor source of revenue to localities; and even if it were modified as suggested by Hoffer and Gallagher, it would still remain small. The main concern with this tax is the present unequal tax treatment of different types of motor carriers, a problem which the Hoffer-Gallagher proposal would correct.

The tax on admissions to boxing and wrestling matches is an insignificant source of revenue for the handful of localities that receive it. Unless it can be shown that the distribution formula is costly to administer, there seems little reason to eliminate or modify this minor form of state aid.

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[32] Code, sec. 9-47.

[33] Virginia Department of Accounts, Report of the Comptroller, 1976-77, pp. 75-77.

## Mental Health and Mental Retardation

Until 1967-68, the state bore the sole responsibility for the provision of mental health, mental retardation, and substance abuse care, operating fourteen large hospitals or training schools (two more opened in 1967-68) and thirty-three mental health clinics.[34] In 1967-68, the General Assembly passed Chapter 10 of Title 37.1 of the Code of Virginia establishing community mental health and mental retardation boards (Chapter 10 boards), which provided the localities with the opportunity to maintain their own mental health and mental retardation services funded by matching state and local funds.[35] Funding was first made available in 1970-71. Substance abuse care was until 1975-76 the shared responsibility of the Department of Health and the Department of Mental Health and Mental Retardation; the Department of Health operated the Bureau of Alcohol Studies and Rehabilitation, while the Department of Mental Health and Mental Retardation operated the Bureau of Drug Rehabilitation. The two bureaus were merged in 1975-76 to form the Division of Substance Abuse within the Department of Mental Health and Mental Retardation.

By 1976-77, thirty-seven Chapter 10 boards had been established; they covered 126 counties and cities and contained 98 percent of the state's population (see Appendix Table A.7).[36] A Chapter 10 board can be formed by any county having a population of 50,000 or more, any city with a population

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[34]This figure is as of the end of 1969-70, the earliest year for which data were available. Since the establishment of locally administered mental health clinics, the state has been transferring its state-operated clinics to local authorities. As of 1978-79, only two continue to be maintained by the state; expenditures for these two clinics are included in total state mental health aid.

[35]Aid for mental health and mental retardation programs is not recognized as state assistance by the Census Bureau. It is treated as aid by the state government, however, and as such has been included here. Programs offered include outpatient and inpatient care, partial hospitalization, rape prevention, court-related services, recreational programs, consultation and education services, information and referral, and specialized services for children and the elderly.

[36]The ten counties and cities not represented by a board are the counties of Alleghany, Bath, Botetourt, Craig, Goochland, Highland, Page, and Powhatan and the cities of Clifton Forge and Covington.

of 75,000 or more, any combination of counties and cities having a combined population of 50,000 or more, or any combination of counties and cities of less than 50,000 population that is determined to be in need of such services. Currently only ten boards are operated by a single locality. Each board is by law an agency of the political subdivision or divisions which it serves.

Allocation of Funds

The state allocates funds directly to the multi-government Chapter 10 boards rather than to their constituent local governments, with one locality serving as the board's fiscal agent. Until 1978-79, aid was allocated to the boards on a project basis without the use of a formula. The boards applied for funds, and the Central Office staff of the Department of Mental Health and Mental Retardation allocated available money according to the "merit" of the applications.

In 1977-78, a total of $46.5 million was spent for the operation of Chapter 10 boards (and mental health clinics).[37] The state contributed $18.1 million, or 38.9 percent of the total. The level of state funding ranged from a high of $2 million for the Fairfax-Falls Church board to a low of $15,000 for the Rockbridge board, the most recently established one. Localities contributed an additional $15.0 million, or 32.3 percent of the total; localities in the Fairfax-Falls Church board raised the largest dollar amount, $3.9 million, while those in the Rockbridge board raised the least, $17,000. The remaining $13.4 million was comprised of federal aid ($3.7 million) and fees ($9.7 million).

Beginning in 1978-79, state aid is to be allocated on a per capita basis, with each board receiving the same percentage of total assistance that its population represents of the state's total population (not including the population of non-participating localities). However, this goal of allocating state aid on a per capita basis has not yet been put fully into practice. As a result of the old allocation method, those programs created early tend to be overfunded, while latecomers are underfunded. The new formula will provide some relief. Under the new formula the department maintains a hold-harmless policy, so those localities that previously received project grants exceeding their current per capita share have not suffered cutbacks in their funding.[38] Under the new program of distributing aid, an overfunded board receives out

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[37] Information provided by the Virginia Department of Mental Health and Mental Retardation, August 3, 1978.

[38] The principal beneficiaries of the hold-harmless provision are the large urban localities that could afford the matching funds under the former project grant distribution. Under the old formula those that were willing to contribute more tended to receive more. The department also required maintenance of effort on the part of the local boards.

of the total grant budget the same aid as it did the previous year, plus an inflation factor. The remaining funds are then allocated on a per capita basis to those boards that are underfunded. No board is currently overfunded or underfunded by more than 25 percent.

Before 1978-79, a local board's matching share was also determined by the Central Office of the Department of Mental Health and Mental Retardation. The financial ability (undefined) of those localities serviced by a board to provided matching funds was a significant factor in determining the board's matching share. The matching shares ranged from a low of 11 percent for the Piedmont board to a high of 66 percent for the Fairfax-Falls Church board (see Table 4.4). The department was permitted to finance up to a maximum of 90 percent of construction costs and 90 percent of operational costs.[39] As of 1978-79, the boards are required to match the state money at a formula-determined rate. The allocation of responsibility among the communities for raising the board's matching money, as well as for the disbursement of the board's total expenditures, is determined by each Chapter 10 board. Direct negotiations and formulas are the two methods used by Chapter 10 boards in allocating this responsibility for matching funds. If a board falls short of its required match, its state assistance is reduced proportionately.

Local Matching Formula

In determining the local boards' matching shares by formula, total aid is divided among the three programs--mental health, mental retardation, and substance abuse (each program's allotment is identified in the Appropriations Act). The funds for each program are allocated individually, and a matching share is determined for each board for each program. The local matching share is set at no more than 60 percent and no less than 25 percent. The formula used is that which was proposed in the original House Bill 599; it was developed by the department and endorsed by the Michie Committee.

Only one basic formula is used to detemine matching shares for all three programs, but each program has its own measure of local need.[40] Measures of ability and effort are also used in determining a board's match rate. The

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[39] Code, sec. 37.1-199.

[40] Currently only the measures of need for mental health and mental retardation have been developed. A need measure for substance abuse is presently being developed and is expected to be ready for use in the next biennium.

Table 4.4

Percentage Matching Shares of Community Mental Health and Mental Retardation (Chapter 10) Boards, 1977-78

| Board | Percentage Matching Share |
|---|---|
| Alexandria | 45 |
| Arlington | 47 |
| Central Virginia | 39 |
| Chesapeake | 33 |
| Chesterfield | 47 |
| Cumberland Plateau | 26 |
| Danville-Pittsylvania | 27 |
| Eastern Shore | 28 |
| Fairfax-Falls Church | 66 |
| Hampton-Newport News | 50 |
| Hanover | 39 |
| Harrisonburg-Rockingham | 50 |
| Henrico | 49 |
| Highlands | 28 |
| Loudoun | 44 |
| Middle Peninsula | 25 |
| Mount Rogers | 27 |
| New River Valley | 27 |
| Norfolk | 37 |
| Northwestern | 39 |
| Piedmont Area | 11 |
| Piedmont Regional | 35 |
| Planning District 1 | 26 |
| Planning District 19 | 42 |
| Portsmouth | 37 |
| Prince William | 49 |
| Rappahannock Area | 43 |
| Rappahannock-Rapidan | 25 |
| Region X | 27 |
| Richmond | 51 |
| Roanoke | 37 |
| Rockbridge | 53 |
| Southside | 25 |
| Valley | 42 |
| Virginia Beach | 47 |
| Western Tidewater | 38 |
| Williamsburg | 46 |

Exhibit:

| | | |
|---|---|---|
| Median | 39% | |
| Mean | Weighted | Unweighted |
| | 45.5% | 38.0% |
| Range | 11-66% | |

Source: Information provided by the Virginia Department of Mental Health and Mental Retardation, August 3, 1978.

measure of ability is the composite index per capita as determined for use in the distribution of basic school aid. Effort is measured by the ratio of the average effective true tax rate on real estate of the localities within the board's jurisdiction to all localities considered as a whole.

The separate measures of need for mental health and mental retardation (as will be the measure of need for the substance abuse program) were developed with the assistance of groups of authorities in their respective fields. These authorities rated the effectiveness of various demographic, economic, social, and health-related indicators as predictors of either mental health or mental retardation need (their reliability is not statistically tested). From these ratings ten indicators were chosen as the best predictors of mental health need, and thirteen indicators were chosen for mental retardation need (see Appendix tables A.8 and A.9).[41] Also based on these ratings, weights were assigned to the chosen indicators. Each locality is rated by these indiciators, with the sum of the weighted indicators being the locality's measure of need.

The formula is as follows.

1. A board's relative ability factor is determined as follows:

$$\left(\frac{X - X1}{Y - X1}\right) Y1$$

X = board's composite index per capita
X1 = lowest composite index per capita of any board
Y = highest composite index per capita of any board
Y1 = 35% = 60% - 25%, the range of state support

2. After determining the need and effort measures of each board, the boards are ranked for each measure; the board with the highest measure is assigned the lowest rank of 1, and the board with the lowest measure is assigned the highest rank of 37.

3. The need and effort factors are then determined as follows:

$$\frac{(X - X1)}{3}$$

X = highest rank of all boards
X1 = boards' rank

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[41] Percent of families in poverty is the only indicator common to both programs.

4. Local match share is then determined as follows:

$$25\% + X1 - Y - Y1$$

X1 = relative ability factor expressed as a percentage
Y = need factor expressed as a percentage
Y1 = effort factor expressed as a percentage

Problems with the Formula and Suggested Solutions

The first and most noticeable problem with the mental health and mental retardation formula is the infrequency with which the need data can be revised. The decennial census provides eight of the ten mental health need indicators and four of the thirteen mental retardation indicators. This results in a ten-year gap between major revisions, a considerable length of time during which significant changes could occur. Using the current indicators, the reliability of the need measure, while high initially, would tend to fall as the data became outdated. An alternate approach would be to use indicators that could be updated more frequently. This would provide a more consistent level of reliability; but, because some of the best indicators would have to be discarded, the reliability might not be very high.

An additional problem is that the formula makes it possible for those localities having the greatest need to spend the least per capita. Assume two boards, X and Y, have equal ability and effort factors, but board X has a high need factor while board Y's need factor is low. Under the formula both boards receive equal per capita aid from the state; however, because of the difference in need, board X's matching share will be less per capita than that of board Y. The result is that board Y has more to spend per capita than board X, even though board X should be spending more because it has the greater problem to solve.

A possible solution would be a mandated local expenditure per capita for mental health, mental retardation, and substance abuse such as that proposed for welfare and health (for a more detailed discussion, see the section on welfare aid). This would avoid the problem created by the proposed formula whereby those boards with greater incidences of need would have less per capita to spend. This solution would also avoid the problem, raised in the section on welfare, of boards with high incidences of need bearing a greater financial burden in support of the program.

## Law Enforcement

In most states law enforcement services are treated as primarily a local fiscal responsibility, even though many of the laws administered by local law enforcement officials are of state origin. Nationwide, of the $10.4 billion

spent by state and local governments for police protection in 1976-77, 85 percent was spent by local governments, and they received very little state aid.[42] In Virginia, the state government currently provides direct support for local law enforcement through its sharing of two-thirds of the authorized costs of local sheriffs. Because of this support, the participation of the state government in local law enforcement costs is above the national norm.

However, despite the fact that all sheriffs legally are law enforcement officers, not all state aid for sheriffs is for that purpose, since many of the sheriffs either do not perform law enforcement activities or perform them in addition to other functions. In the cities, sheriffs exercise no law enforcement responsibilities; they serve as court officers and operate jails. In most of the counties, on the other hand, sheriffs are general law enforcement officers, although they do not function as such in the five large urban counties that operate their own police departments.[43] In most counties, traffic patrol is performed by the Department of State Police and town police (within town limits), as well as by the sheriffs; the contribution of each to the total effort varies from one jurisdiction to another.

Current Status

In 1976-77, all ninety-five counties had sheriffs, and thirty cities had them. In the remaining eleven cities, all of relatively small size, the cities shared sheriffs with adjoining counties.[44] In 1976-77, state law enforcement aid for the costs of local sheriffs was $20.2 million, with $14.2 million (70.3 percent) for the counties and $6.0 million (29.7 percent) for the thirty cities with their own sheriffs.

Direct aid for local law enforcement also is provided from federal and state funds administered by the Virginia Division of Justice and Crime Prevention (DJCP), which distributes federal Crime Control Act funds by planning districts based on number of crimes (weighted three-fourths) and population (weighted one-fourth). DJCP disburses the funds to cities and counties in each planning district according to determinations made by the planning district commissions. The federal funds are provided on a matching basis with

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[42] U.S. Bureau of the Census, Governmental Finances in 1976-77, GF 77, No. 5, p. 28 and State Government Finances in 1977, GF 77, No. 3, p. 8. State aid accounted for 1.4 percent of local spending.

[43] The counties of Arlington, Chesterfield, Fairfax, Henrico, and Prince William.

[44] Virginia State Compensation Board, Report of the Compensation Board, 1976-77, pp. 13-14.

90 percent federal money, 5 percent state money, and 5 percent local money. In 1978, DJCP awarded $6 million (including federal, state, and local matching shares).[45] Based on final recipients, cities accounted for 63 percent of the funds, counties with police departments accounted for 22 percent, and other counties accounted for the remaining 15 percent. Although the funds were for local criminal justice systems, a category that includes a broader range of functions than just law enforcement, a significant portion was devoted to crime prevention and detection and corrections.

In addition to direct state and federal aid, the localities also receive indirect aid in the form of services performed by the Department of State Police. According to very rough estimates provided by that department, 1976-77 state police costs for services to cities and counties were $28.8 million, mostly for field operation and policing (uniformed personnel) and the plain-clothes Division of Investigation. Other supporting services were operation of a criminal intelligence unit, narcotics and drug abuse control activites, operation of the Virginia Criminal Information Network, and provision of the Central Criminal Records Exchange. The Department of State Police estimates that roughly 70 percent of the value of such services was used by rural counties, 15 percent by urban counties, and 15 percent by cities.[46]

According to 1976-77 reports prepared by the Auditor of Public Accounts, total city and county spending for law enforcement was $158.7 million. This total is based on a board definition of law enforcement that includes jail operation and traffic control as well as crime prevention and detection activities. Unfortunately, detailed information is not available by type of expenditure and source of funds for law enforcement. However, it is possible to make some broad estimates for all counties and cities, as shown in Table 4.5. Of the total amount spent by the cities and counties, $37.9 million, or roughly one-fourth, was covered by aid and reimbursements. This estimate does not include town expenditures for law enforcement, and no adjustment is made for reimbursements from other local governments.

The local law enforcement expenditures are concentrated in the urban areas, which have large populations and relatively high crime rates. Seven of the cities--Alexandria, Chesapeake, Newport News, Norfolk, Portsmouth, Richmond, and Virginia Beach--each spent more than $5 million in 1976-77, and together they accounted for 66 percent of total city outlays for law enforcement. Likewise, three of the counties--Arlington, Fairfax, and Henrico--each

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[45] Information provided by Frederick L. Anderson, Information Systems Coordinator, Virginia Division of Justice and Crime Prevention, December 6, 1978.

[46] Information provided by Captain Holcomb, Virginia Department of State Police, to the Commission on State Aid to Localities and Joint Subcommittee on Annexation, May 10, 1978.

Table 4.5

Estimated Local Expenditures for Law Enforcement, 1976-77

| | | |
|---|---|---|
| **Expenditures** | | |
| Cities: | | |
| Policing, investigation, and traffic control | | $ 75,853,027 |
| Corrections | | 17,754,673 |
| Counties: | | |
| Crime prevention and detection[a] | | 65,062,000 |
| | | 158,669,700 |
| **Revenue** | | |
| Total grants and reimbursements | | 37,921,021 |
| State aid for sheriffs | 20,174,851 | |
| State reimbursements for care of state prisoners: | | |
| Adult | 6,784,004 | |
| Juveniles | 5,282,277 | |
| DJCP grants[b] | 5,679,889 | |
| Revenue from own sources | | 120,748,679 |
| | | 158,669,700 |

Sources: Auditor of Public Accounts, Comparative Cost of County Government, 1976-77 (Richmond, 1978), p. 18; Auditor of Public Accounts, Comparative Cost of City Government, 1976-77 (Richmond, 1978), p. 18; Virginia State Compensation Board, Report of the Compensation Board, 1976-77 (Richmond, 1978), p. 13; Commonwealth of Virginia, Budget, 1978-80, Vol. 4 (Richmond, 1978), pp. 1, 120-21; and information provided by Frederick L. Anderson, Information Systems Coordinator, Division of Justice and Crime Prevention, December 6, 1978.

[a]Includes jail operation and traffic control where applicable.

[b]1978 awards, excludes local 5 percent matching money.

spent over $5 million; together they accounted for 52 percent of total county outlays for law enforcement.

Overall, the picture that emerges is one of substantial local outlays for law enforcement functions but limited state sharing of costs except in the nonurban counties. No state assistance, other than a small amount of DJCP grants, is provided to any city or county police department.

## 1979 Legislation

In recent years much discussion has been devoted to increased state aid for local law enforcement. House Bill 2160, introduced in the 1977 General Assembly, and its successor, House Bill 599 (more commonly known as the Michie Bill), introduced in 1978, both provided for an expansion of law enforcement aid. In 1979, the Michie Bill became law, but only after major changes had been made in its original provisions.

The new law, which goes into effect in 1980-81, provides for full state funding of the authorized costs of local sheriffs. In addition, it provides state aid for local police departments. To determine the amount of support of local police, the localities are divided into two groups: those with local police departments (the cities, some towns, and a few urban counties) and those without them. For the localities without police departments (nearly all of the counties), a total per capita state aid figure is derived from the most recent data available. That per capita amount is multiplied by the total population in those counties and cities with police departments in order to derive the total amount of state aid available to such localities. Then the amount of state aid for sheriffs in the localities with police departments and a discretionary fund equal to 5 percent of the total are deducted to determine the net amount available for distribution to localities with police departments.[47] The share of the total available to each eligible locality is based on its proportion of the total "adjusted crime index," which is defined as the potential crime rate for a locality multiplied by its population. The potential crime rate is based on a multiple regression equation that uses two independent variables. The first variable is the sum of caseloads for three welfare programs divided by population; the welfare programs included are aid to dependent children, foster care, and general relief. The second independent variable is current population density.

The new state aid program for law enforcement is forecast to cost an additional $61.2 million in 1980-81, or an increase of 74.5 percent over the existing level of funding for the same year.[48] Since no new taxes were adopted, this large increase in state aid is to be funded from existing general fund revenue sources. The effect of the new state aid is to provide full funding of authorized local law enforcement costs in localities without police departments and to provide, for the first time, substantial aid for the operation of local police departments. In 1980-81, the state aid for police departments will be $43.7 million, or roughly 30 percent of local costs.

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[47] The 5 percent discretionary fund assures a certain level of funding for cities with 200,000 or more population. The localities currently included in this group are Norfolk, Richmond, and Virginia Beach.

[48] Estimate provided in HB 599 fiscal impact statement prepared by the Virginia Department of Planning and Budget, n.d.

The new program will eliminate the disparity in per capita state aid for law enforcement between localities with and without local police departments. On the other hand, the share of local law enforcement costs borne by the state will continue to be lower in the urban localities. This is because crime rates in urban areas exceed those in rural areas, and therefore law enforcement costs tend to be much higher.

In addition to new financial aid for law enforcement, the 1979 session of the General Assembly passed a new annexation law which includes a provision that allows cities barred from annexation to elect to be treated in the same manner as counties for purposes of state police services, provided they notify the state at least two years prior to the biennium in which the choice takes effect.[49] Since this choice would also involve state construction and maintenance of highways and would be irreversible for eight years, the decision would involve many considerations by an eligible locality. Currently, no information is available regarding the probability of participation by eligible localities. Furthermore, because of the advance notification provision, no locality could participate until the 1982-84 biennium.

General Comments

Prior to the adoption of the new state aid program for law enforcement, a major inequity existed because much greater state aid was given to localities that relied solely on local sheriffs than to those that had local police departments. If law enforcement were considered primarily a function to be financed and administered locally, then the solution would be to withdraw some of the state aid to those localities receiving preferential treatment. Once an aid program has been established, however, it is politically very difficult to reduce it, and the more common method for reducing inequities is to increase aid for all localities, with special preference for those that previously received less. This was the approach taken in the 1979 legislation. Not only did the localities with police departments receive new assistance for funding police, but also localities without police departments received more state aid. In 1980-81, the new state aid for localities with police departments will total $50.2 million, with $43.6 million for police and $6.6 million for sheriffs. Localities without police departments will receive new state aid of $10.8 million for sheriffs.[50]

While the new formula incorporates a measure of need ("the adjusted crime index"), it does not employ any explicit measures of fiscal capacity,

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[49] See Chapter 3, p. 71 for an additional reference to this provision.

[50] Richard W. Hall-Sizemore, "Estimated Fiscal Effect of HB 599--Increased State Aid for 1980-82 Biennium, by Locality."

fiscal effort, or regional cost differences.[51] In its favor, the legislation does provide for periodic review by the Division of Justice and Crime Prevention of the independent variables used in the formula and for recalculation of the weights for each biennium. Since the measurement of crime rates and the factors associated with them may change over time, the legislative allowance for modification is prudent.

## Judiciary

### Current Aid Program

The state's legal system is comprised of courts at three levels. The lower courts are called district courts. The district courts, which are courts not of record, are of two types: (1) the general district courts, which have jurisdiction over misdemeanors and civil cases involving relatively small amounts of money; and (2) the juvenile and domestic relations district courts, which have jurisdiction over cases involving dependent, neglected, and delinquent children. The state has thirty-two judicial districts, and each district has both a general district court and a juvenile and domestic relations district court. Circuit courts, which are courts of record, have original and appellate jurisdiction in criminal offenses and civil cases. The state has thirty-one circuit courts.[52] The Supreme Court of Virginia is the state's highest court. The supreme court has original jurisdiction with regard to petitions for mandamus, prohibition, and habeas corpus, and it reviews decisions of lower courts in which appeals have been allowed.

Prior to 1972-73, the state paid the costs of the county district courts and shared the costs of comparable city courts. The court reorganization plan effective in 1973 provided that the state would pay the costs of the district court system, with the localities reimbursing the state each year by an amount equal to the localities' expenditures for district court salaries in 1972-73 and for salary supplements in 1975-76. The 1978-79 state appropriation for district courts was $18.1 million, and localities are expected to provide an additional $3.8 million. Beginning in 1980-81, the state will assume full funding for the district courts. All district court fees will be paid to the state instead of being retained by the localities.

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[51] Fiscal capacity is addressed indirectly. Per capita adjusted gross income, a capacity variable, was intentionally not used in the regression equation even though it was positively associated with potential crime rate.

[52] The circuits and districts have coterminous boundaries except for one circuit that is divided into two districts (thereby accounting for the thirty-two districts).

The localities currently pay 60 percent of the salaries of circuit court judges, but beginning in 1980-81 the state will pay the full cost of their salaries. The 1978-79 state appropriation for the circuit courts was $8.3 million, with $3.4 million for judges' salaries and other expenses and $4.9 million for fees and allowances for criminal charges. In terms of 1978-79 dollars, the additional state aid from full funding will be about $2.8 million.[53]

If a locality requests a state-operated service unit for its juvenile and domestic relations district, the state will provide one. A service unit performs background investigations of youths before the court and supervision of youths placed on probation by the court. There are currently twenty-four state-operated service units. If a locality elects to operate its own services unit, the state will pay half the compensation and travel expenses of the personnel. In 1977-78, state aid for thirteen locally operated juvenile and domestic relations court service units was approximately $2.5 million.[54]

The state underwrites most costs of local magistrates (formerly known as justices of the peace) except for office space and equipment. In 1978-79, the state appropriation was $3.7 million.

Comment

The change to full funding of the courts by the state is a desirable move. Even though the courts serve the residents of local areas, the courts are clearly a state function. The chief justice of the Supreme Court of Virginia is the administrative head of the judicial system, and all judges are chosen by the General Assembly. Furthermore, most of the adjudications involve state laws.

## Conclusion

This chapter and the preceding one have provided a fairly detailed description and analysis of those programs that account for most of the state aid. No attempt is made here to summarize the analysis because the specialized nature of each program does not lead to broad generalizations.

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[53]Estimate provided by Mr. Leslie T. Figg, Director of Fiscal Services, Supreme Court of Virginia, in a telephone conversation, April 26, 1979.

[54]Estimate provided by Carlton B. Bolte, Virginia Department of Corrections, in a telephone conversation, May 14, 1979.

Nonetheless, some overview of state aid can be provided by comparing the principal aid programs as shown in Table 4.6. That table is a compilation of the measures of need, effort, and ability that will be used in the allocation of state assistance in the 1980-82 biennium. Measures of need provide a rough appraisal of the amount a locality should provide for a given program based on the criteria used by the program creators. Measures of effort give an estimate of the extent to which a locality has used its own fiscal resources. Such measures do not include actions required to obtain matching state funding, such as the 5 percent local share of primary road construction costs in municipalities, but rather the voluntary actions taken to increase the available local funding. Ability (or capacity) is measured by the financial resources available to the locality as a possible source of program funding.

As can be seen, little uniformity is present among the different programs in regard to measures of need, effort, and ability. Given the variety of programs and the fact that they were adopted at different times, this is to be expected. However, even within major program categories there are significant differences. Only two programs--the basic school aid fund and mental health and mental retardation aid--use a measure for each of the three categories. Health and education incentive payments are the only other programs that use more than one of the three measures.

Need is the only universally used measure, and for seventeen of the twenty-one programs, need is the only measure used. The most common measure of need is population, which is used by eight of the twenty-one programs.[55]

Measures of effort are used in only three programs, the basic school aid fund, the school incentive payment, and mental health and mental retardation aid.

Three programs--mental health and mental retardation, health, and the basic school aid fund--incorporate a measure of ability. The basic school aid fund uses a composite index that is standardized based on population and average daily membership. Mental health uses only the composite index standardized by population. Health uses the aggregate true value of real estate without adjustment for population size.

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[55]Population is one of the thirteen indicators used in the mental retardation formula and a component of the adjusted crime index used in the local police aid program.

Table 4.6

Program Measures of Need, Effort, and Ability for the 1980-82 Biennium

| Program | Measure of Need | Measure of Effort | Measure of Ability |
|---|---|---|---|
| Public Education | | | |
| Basic school aid fund | Average daily membership (ADM) | Standards of Quality (SOQ) level of expenditure | True value of taxable real estate, personal income, and taxable retail sales standardized by ADM and population |
| State sales tax | School age population | None | None |
| Teacher fringe benefits | Professional instructional staff not exceeding X per 1,000 ADM with an average salary of $X | None | None |
| Vocational education | ADM in program | None | None |
| Special education | ADM in program | None | None |
| Pupil transportation | Number of pupils transported, number of miles traveled by each pupil, and number of buses meeting state standards | None | None |
| Incentive payments | Average daily membership (ADM) | Level of spending above SOQ | None |
| Public Welfare | Approved program costs | None | None |
| Highways | | | |
| Primary system | Area, population, primary road mileage, vehicle registration, and vehicle miles traveled | None | None |
| Secondary system | Area, population, secondary road mileage, vehicle registration, vehicle miles traveled, unsurface tested roads | None | None |
| Urban system | Undefined need (usually based on population) and moving lane miles | None | None |
| Constitutional Officers | As approved by the State Compensation Board in compliance with state statutes | None | None |
| Health | Undefined need | None | Aggregate true value of real estate |
| General Local Government Support | | | |
| A.B.C. profits | Population | None | None |
| Wine tax | Population | None | None |
| Motor carrier rolling stock tax | Vehicle miles traveled in locality | None | None |
| Taxes on admission to boxing and wrestling matches | Location of matches | None | None |
| Mental Health and Mental Retardation | A composite of indicators as determined best for each program | Average effective tax rate on real property | True value of taxable real property, personal income, and taxable retail sales standarized by population |
| Law Enforcement | | | |
| Division of Justice and Crime Prevention | Number of crimes and population | None | None |
| Local Police | Adjusted crime index | None | None |
| Judiciary | Circuit courts and district courts as prescribed by law | None | None |

# STATISTICAL APPENDIX

Appendix Table A.1

State Tax Burden and State Aid, 1975-76, All Counties and Cities

| Locality | Tax Burden for Aid ($) | Aid ($) | Tax Burden Per Dollar of Aid ($) | Rank |
|---|---|---|---|---|
| Counties | | | | |
| Accomack | 3,436,332 | 4,938,653 | 0.70 | 75 |
| Albemarle | 6,094,420 | 7,014,992 | 0.87 | 53 |
| Alleghany | 1,064,083 | 2,510,512 | 0.42 | 114 |
| Amelia | 713,251 | 1,425,219 | 0.50 | 103 |
| Amherst | 2,708,086 | 4,124,578 | 0.66 | 79 |
| Appomattox | 1,113,359 | 2,124,985 | 0.52 | 99 |
| Arlington | 40,278,967 | 15,987,561 | 2.52 | 4 |
| Augusta | 5,115,355 | 8,348,744 | 0.61 | 86 |
| Bath | 842,424 | 1,245,270 | 0.68 | 77 |
| Bedford | 2,253,598 | 4,817,810 | 0.47 | 106 |
| Bland | 276,752 | 865,563 | 0.32 | 129 |
| Botetourt | 1,966,764 | 3,673,402 | 0.54 | 97 |
| Brunswick | 1,505,435 | 2,706,615 | 0.56 | 95 |
| Buchanan | 5,548,495 | 7,431,940 | 0.75 | 62 |
| Buckingham | 749,498 | 2,087,218 | 0.38 | 118 |
| Campbell | 5,656,718 | 9,553,559 | 0.59 | 89 |
| Caroline | 1,508,867 | 3,219,358 | 0.47 | 105 |
| Carroll | 2,022,580 | 4,394,476 | 0.46 | 107 |
| Charles City | 390,636 | 1,596,017 | 0.24 | 133 |
| Charlotte | 871,623 | 2,329,111 | 0.37 | 120 |
| Chesterfield | 17,696,639 | 16,369,409 | 1.08 | 34 |
| Clarke | 1,118,673 | 1,247,770 | 0.90 | 48 |
| Craig | 237,333 | 665,292 | 0.36 | 123 |
| Culpeper | 2,925,325 | 3,383,061 | 0.86 | 54 |
| Cumberland | 434,995 | 1,445,782 | 0.30 | 130 |
| Dickenson | 2,474,978 | 2,512,533 | 0.70 | 71 |
| Dinwiddie | 1,595,516 | 4,866,208 | 0.33 | 127 |
| Essex | 1,545,031 | 1,400,484 | 1.10 | 32 |
| Fairfax | 115,274,286 | 76,313,806 | 1.51 | 15 |
| Fauquier | 4,722,217 | 4,309,937 | 1.10 | 33 |
| Floyd | 660,549 | 1,800,433 | 0.37 | 121 |
| Fluvanna | 600,515 | 1,828,772 | 0.33 | 126 |
| Franklin | 3,085,856 | 5,369,271 | 0.57 | 91 |
| Frederick | 3,623,086 | 5,205,044 | 0.70 | 73 |
| Giles | 1,813,817 | 2,974,596 | 0.61 | 87 |
| Gloucester | 2,149,756 | 2,381,595 | 0.90 | 47 |
| Goochland | 1,286,274 | 1,796,400 | 0.72 | 68 |
| Grayson | 777,122 | 2,630,092 | 0.30 | 132 |
| Greene | 414,057 | 1,382,503 | 0.30 | 131 |
| Greensville | 740,518 | 2,211,608 | 0.33 | 124 |
| Halifax | 2,158,212 | 5,764,980 | 0.37 | 119 |
| Hanover | 7,042,708 | 7,114,657 | 0.99 | 40 |
| Henrico | 38,359,479 | 20,167,303 | 1.90 | 10 |
| Henry | 6,214,007 | 9,735,823 | 0.64 | 80 |

Source: Virginia Revenue Resources and Economic Commission, Local Fiscal Issues: A Staff Report (Richmond, 1977), pp. 133-37.

Appendix Table A.1 (cont'd)

State Tax Burden and State Aid, 1975-76, All Counties and Cities

| Locality | Tax Burden for Aid ($) | Aid ($) | Tax Burden Per Dollar of Aid ($) | Rank |
|---|---|---|---|---|
| Counties (cont'd) | | | | |
| Highland | 147,676 | 452,113 | 0.33 | 128 |
| Isle of Wight | 2,485,699 | 3,399,382 | 0.73 | 65 |
| James City | 2,884,586 | 3,374,908 | 0.85 | 57 |
| King and Queen | 407,719 | 898,505 | 0.45 | 109 |
| King George | 1,076,204 | 1,542,080 | 0.70 | 72 |
| King William | 1,280,126 | 1,434,444 | 0.89 | 49 |
| Lancaster | 1,614,670 | 1,396,472 | 1.16 | 30 |
| Lee | 1,842,544 | 4,799,424 | 0.38 | 117 |
| Loudoun | 9,099,497 | 6,665,173 | 1.37 | 24 |
| Louisa | 1,555,544 | 3,058,828 | 0.51 | 102 |
| Lunenburg | 1,064,392 | 2,082,642 | 0.51 | 101 |
| Madison | 874,288 | 1,678,155 | 0.52 | 100 |
| Mathews | 923,101 | 996,558 | 0.93 | 45 |
| Mecklenburg | 3,800,703 | 4,778,091 | 0.80 | 59 |
| Middlesex | 899,054 | 1,012,487 | 0.89 | 50 |
| Montgomery | 6,305,314 | 6,975,740 | 0.90 | 46 |
| Nelson | 831,485 | 2,522,356 | 0.33 | 125 |
| New Kent | 673,347 | 1,264,210 | 0.53 | 98 |
| Northampton | 1,890,993 | 2,994,338 | 0.63 | 82 |
| Northumberland | 1,041,876 | 1,461,951 | 0.71 | 70 |
| Nottoway | 1,843,170 | 2,471,716 | 0.75 | 63 |
| Orange | 2,480,213 | 2,841,495 | 0.87 | 52 |
| Page | 1,996,743 | 2,714,395 | 0.74 | 64 |
| Patrick | 1,232,600 | 2,724,584 | 0.45 | 111 |
| Pittsylvania | 4,792,974 | 11,702,739 | 0.41 | 115 |
| Powhatan | 776,774 | 1,573,113 | 0.49 | 104 |
| Prince Edward | 2,011,735 | 1,728,035 | 1.16 | 28 |
| Prince George | 1,508,543 | 4,164,982 | 0.36 | 122 |
| Prince William | 19,315,511 | 22,447,255 | 0.86 | 55 |
| Pulaski | 3,814,373 | 5,981,734 | 0.64 | 81 |
| Rapphannock | 427,643 | 746,971 | 0.57 | 92 |
| Richmond | 1,035,367 | 1,209,277 | 0.86 | 56 |
| Roanoke | 12,783,425 | 12,298,129 | 1.04 | 36 |
| Rockbridge | 1,401,130 | 3,424,766 | 0.41 | 116 |
| Rockingham | 4,764,541 | 7,627,475 | 0.62 | 84 |
| Russell | 2,515,532 | 5,611,948 | 0.45 | 112 |
| Scott | 2,055,316 | 4,651,560 | 0.44 | 113 |
| Shenandoah | 2,946,431 | 4,067,319 | 0.72 | 66 |
| Smyth | 3,086,016 | 5,530,627 | 0.56 | 94 |
| Southampton | 1,626,627 | 3,593,737 | 0.45 | 110 |
| Spotsylvania | 3,308,161 | 4,640,150 | 0.71 | 69 |
| Stafford | 3,121,376 | 5,491,491 | 0.57 | 93 |
| Surry | 453,599 | 987,923 | 0.46 | 108 |
| Sussex | 1,346,029 | 2,484,699 | 0.54 | 96 |
| Tazewell | 6,362,927 | 8,458,107 | 0.75 | 61 |
| Warren | 2,685,508 | 2,315,028 | 1.16 | 29 |
| Washington | 4,492,032 | 7,387,169 | 0.61 | 88 |
| Westmoreland | 1,498,412 | 2,380,580 | 0.63 | 83 |

Appendix Table A.1 (cont'd)

State Tax Burden and State Aid, 1975-76, All Counties and Cities

| Locality | Tax Burden for Aid ($) | Aid ($) | Tax Burden Per Dollar of Aid ($) | Rank |
|---|---|---|---|---|
| Counties (cont'd) | | | | |
| Wise | 7,623,801 | 7,990,535 | 0.95 | 43 |
| Wythe | 2,592,729 | 4,188,012 | 0.62 | 85 |
| York | 4,571,270 | 6,323,183 | 0.72 | 67 |
| Total, counties | 452,282,650[a] | 486,819,900[a] | | |
| Cities | | | | |
| Alexandria | 27,113,503 | 12,401,867 | 2.19 | 7 |
| Bedford | 1,158,841 | 790,127 | 1.47 | 17 |
| Bristol | 4,329,759 | 2,964,631 | 1.46 | 18 |
| Buena Vista | 755,872 | 1,085,962 | 0.70 | 74 |
| Charlottesville | 9,850,507 | 5,094,786 | 1.93 | 9 |
| Chesapeake | 11,597,417 | 20,045,591 | 0.58 | 90 |
| Clifton Forge | 834,254 | 872,249 | 0.96 | 42 |
| Colonial Heights | 2,965,701 | 2,326,701 | 1.27 | 25 |
| Covington | 1,563,622 | 1,533,446 | 1.02 | 38 |
| Danville | 8,804,461 | 6,368,102 | 1.38 | 22 |
| Emporia | 1,390,097 | 884,356 | 1.57 | 14 |
| Fairfax | 6,316,159 | 2,895,323 | 2.18 | 8 |
| Falls Church | 4,639,226 | 1,120,798 | 4.14 | 2 |
| Franklin | 1,618,458 | 1,575,869 | 1.03 | 37 |
| Fredericksburg | 4,841,388 | 2,020,762 | 2.40 | 5 |
| Galax | 1,378,827 | 1,288,194 | 1.07 | 35 |
| Hampton | 18,309,727 | 23,145,795 | 0.79 | 60 |
| Harrisonburg | 4,570,317 | 1,621,180 | 2.82 | 3 |
| Hopewell | 3,859,075 | 3,885,259 | 0.99 | 39 |
| Lexington | 1,238,858 | 718,135 | 1.73 | 11 |
| Lynchburg | 12,478,655 | 7,487,449 | 1.67 | 12 |
| Martinsville | 4,344,004 | 2,749,789 | 1.58 | 13 |
| Newport News | 20,161,563 | 23,708,111 | 0.85 | 58 |
| Norfolk | 40,862,567 | 43,617,791 | 0.94 | 44 |
| Norton | 1,020,907 | 854,398 | 1.19 | 26 |
| Petersburg | 8,489,971 | 8,666,513 | 0.98 | 41 |
| Portsmouth | 14,604,537 | 21,018,831 | 0.69 | 76 |
| Radford | 1,656,300 | 1,500,309 | 1.10 | 31 |
| Richmond | 49,016,143 | 41,300,351 | 1.19 | 27 |
| Roanoke | 19,524,403 | 14,240,033 | 1.37 | 23 |
| Salem | 4,661,082 | 3,238,785 | 1.44 | 19 |
| South Boston | 1,436,982 | 1,008,108 | 1.43 | 20 |
| Staunton | 4,135,111 | 2,750,280 | 1.50 | 16 |
| Suffolk | 6,112,927 | 9,232,529 | 0.66 | 78 |
| Virginia Beach | 30,626,979 | 34,713,983 | 0.88 | 51 |
| Waynesboro | 3,509,644 | 2,462,891 | 1.43 | 21 |
| Williamsburg | 3,976,192 | 763,819 | 5.21 | 1 |
| Winchester | 4,915,093 | 2,179,843 | 2.25 | 6 |
| Total, cities | 348,669,000[a] | 314,132,700[a] | | |
| Total, all localities | 800,952,610 | 800,952,610 | | |

a Derived using mean.

Appendix Table A.2

Selected Measures of Local Fiscal Capacity, All Counties and Cities

| | True Value of Real Estate Per Capita | | | Personal Income Per Capita | | | Composite Index Per Capita | | Computed Revenue Capacity Per Capita | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| State | 15,557 | 100 | ... | 6,298 | 100 | ... | 100.00 | ... | 313.26 | 100 | ... |
| Counties | | | | | | | | | | | |
| Accomack | 14,681 | 94 | 74 | 4,691 | 74 | 48 | 76.93 | 41 | 270.34 | 86 | 56 |
| Albemarle | 20,291 | 130 | 108 | 4,499 | 71 | 38 | 107.32 | 102 | 314.08 | 100 | 90 |
| Alleghany | 11,783 | 76 | 36 | 4,074 | 65 | 16 | 67.40 | 14 | 223.01 | 71 | 15 |
| Amelia | 18,566 | 119 | 96 | 4,126 | 66 | 21 | 81.59 | 57 | 288.77 | 92 | 70 |
| Amherst | 10,697 | 69 | 26 | 4,376 | 69 | 30 | 66.34 | 13 | 222.26 | 71 | 14 |
| Appomattox | 13,901 | 89 | 66 | 4,932 | 78 | 64 | 82.31 | 59 | 263.35 | 84 | 50 |
| Arlington | 24,390 | 157 | 123 | 11,962 | 190 | 135 | 161.90 | 133 | 506.36 | 162 | 134 |
| Augusta | 14,034 | 90 | 68 | 4,419 | 70 | 34 | 81.04 | 55 | 259.27 | 83 | 48 |
| Bath | 20,308 | 131 | 109 | 4,803 | 76 | 56 | 103.79 | 96 | 345.32 | 110 | 108 |
| Bedford | 14,138 | 91 | 69 | 5,165 | 82 | 74 | 73.09 | 30 | 266.73 | 85 | 53 |
| Bland | 10,544 | 68 | 23 | 3,969 | 63 | 13 | 59.59 | 4 | 195.34 | 62 | 3 |
| Botetourt | 14,847 | 95 | 76 | 4,640 | 74 | 43 | 83.25 | 63 | 267.26 | 85 | 54 |
| Brunswick | 13,050 | 84 | 56 | 4,232 | 67 | 24 | 71.41 | 26 | 239.02 | 76 | 31 |
| Buchanan | 15,578 | 100 | 81 | 6,175 | 98 | 108 | 110.61 | 109 | 307.21 | 98 | 85 |
| Buckingham | 22,457 | 144 | 119 | 3,697 | 59 | 5 | 94.18 | 78 | 316.06 | 101 | 91 |
| Campbell | 10,067 | 65 | 14 | 5,521 | 88 | 86 | 68.48 | 17 | 234.60 | 75 | 27 |
| Caroline | 18,946 | 122 | 99 | 4,983 | 79 | 66 | 91.30 | 73 | 301.23 | 96 | 76 |
| Carroll | 10,100 | 65 | 16 | 3,784 | 60 | 7 | 60.56 | 6 | 204.51 | 65 | 6 |
| Charles City | 19,117 | 123 | 102 | 3,904 | 62 | 8 | 78.17 | 44 | 278.31 | 89 | 65 |
| Charlotte | 14,386 | 92 | 71 | 4,091 | 65 | 18 | 68.86 | 18 | 249.67 | 80 | 39 |

Sources: For Population (1977): Julia H. Martin and William J. Serow, "Estimates of the Population of Virginia Counties and Cities, July 1, 1976 and July 1, 1977" (Charlottesville: Tayloe Murphy Institute, University of Virginia, 1978).

For True Value of Real Estate and Effective True Tax Rate (1976): Department of Taxation, 1976 Virginia Assessment/Sales Ratio Study (Richmond, 1978), pp. 32-35.

For Total Personal Income and Personal Income Per Capita (1976): John L. Knapp and David C. Hodge, "Personal Income Estimates for Virginia Cities and Counties, 1969 to 1976" (Charlottesville: Tayloe Murphy Institute, University of Virginia, 1978).

For Composite Index Per Capita (1978-80): Virginia Department of Education, printout dated 8/23/77.

For Number of Motor Vehicles: "City/County Registration Count, July 1, 1976-June 30, 1977," table provided by Jerome L. Stein, Manager, Vehicle Dealer and Records Department, State Division of Motor Vehicles, November 1978.

For Tangible Personal Property Tax Levies (1976) and Local Sales Tax Collections (1976-77): Virginia Department of Taxation, Annual Report, 1976-77, (Richmond 1977), p. 44.

For Revenues from Local Sources (1976-77): State Auditor of Public Accounts, Comparative Cost of County Government, Year Ended June 30, 1977 (Richmond, 1978). Note: Total excludes service charges of county owned enterprises. State Auditor of Public Accounts, Comparative Cost of City Government Year Ended June 30, 1977, (Richmond, 1978).

Appendix Table A.2 (cont'd)

Selected Measures of Local Fiscal Capacity, All Counties and Cities

| | True Value of Real Estate Per Capita | | | Personal Income Per Capita | | | Composite Index Per Capita | | Computed Revenue Capacity Per Capita | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| Counties (cont'd) | | | | | | | | | | | |
| Chesterfield | 17,222 | 111 | 87 | 6,749 | 107 | 116 | 111.52 | 111 | 325.33 | 104 | 97 |
| Clarke | 25,107 | 161 | 125 | 5,675 | 90 | 92 | 120.10 | 120 | 386.09 | 123 | 120 |
| Craig | 14,929 | 96 | 77 | 4,463 | 71 | 37 | 77.09 | 42 | 254.80 | 81 | 43 |
| Culpeper | 20,660 | 133 | 112 | 4,993 | 79 | 67 | 107.48 | 103 | 337.59 | 108 | 103 |
| Cumberland | 16,121 | 104 | 84 | 3,542 | 56 | 2 | 71.10 | 25 | 249.88 | 80 | 40 |
| Dickenson | 12,781 | 82 | 46 | 4,911 | 78 | 61 | 72.45 | 29 | 241.82 | 77 | 33 |
| Dinwiddie | 12,620 | 81 | 42 | 5,421 | 86 | 84 | 80.34 | 51 | 242.80 | 78 | 34 |
| Essex | 21,823 | 140 | 115 | 4,697 | 75 | 49 | 132.17 | 126 | 360.53 | 115 | 115 |
| Fairfax | 22,265 | 143 | 118 | 8,696 | 138 | 132 | 142.26 | 127 | 422.55 | 135 | 125 |
| Fauquier | 29,854 | 192 | 132 | 6,171 | 98 | 107 | 143.97 | 129 | 444.92 | 142 | 128 |
| Floyd | 19,382 | 125 | 103 | 3,981 | 63 | 14 | 80.90 | 54 | 293.62 | 94 | 73 |
| Fluvanna | 27,689 | 178 | 128 | 4,686 | 74 | 47 | 120.75 | 121 | 380.69 | 122 | 119 |
| Franklin | 11,265 | 72 | 32 | 4,524 | 72 | 39 | 69.31 | 19 | 236.47 | 75 | 28 |
| Frederick | 20,943 | 135 | 114 | 5,068 | 80 | 70 | 109.04 | 106 | 347.26 | 111 | 110 |
| Giles | 14,455 | 93 | 72 | 4,679 | 74 | 46 | 83.86 | 64 | 270.84 | 86 | 57 |
| Gloucester | 20,245 | 130 | 107 | 5,308 | 84 | 80 | 100.65 | 90 | 335.65 | 107 | 102 |
| Goochland | 25,630 | 165 | 127 | 4,871 | 77 | 60 | 126.33 | 123 | 365.43 | 117 | 116 |
| Grayson | 10,591 | 68 | 24 | 3,949 | 63 | 12 | 59.90 | 5 | 205.90 | 66 | 7 |
| Greene | 16,570 | 107 | 85 | 3,658 | 58 | 3 | 79.23 | 47 | 255.92 | 82 | 45 |
| Greensville | 13,220 | 85 | 60 | 3,499 | 56 | 1 | 71.78 | 28 | 224.01 | 72 | 17 |
| Halifax | 11,302 | 73 | 33 | 4,107 | 65 | 19 | 64.98 | 11 | 226.30 | 72 | 19 |
| Hanover | 17,575 | 113 | 90 | 6,146 | 98 | 105 | 106.50 | 101 | 323.78 | 103 | 96 |
| Henrico | 17,428 | 112 | 88 | 7,617 | 121 | 128 | 117.87 | 117 | 372.31 | 119 | 118 |
| Henry | 10,324 | 66 | 21 | 4,741 | 75 | 51 | 68.12 | 15 | 233.21 | 74 | 23 |
| Highland | 32,265 | 207 | 134 | 4,052 | 64 | 15 | 118.42 | 118 | 420.88 | 134 | 124 |
| Isle of Wight | 17,686 | 114 | 91 | 4,931 | 78 | 63 | 93.33 | 77 | 306.16 | 98 | 81 |
| James City | 17,932 | 115 | 92 | 4,834 | 77 | 57 | 102.64 | 93 | 304.44 | 97 | 78 |
| King George | 30,570 | 197 | 133 | 4,927 | 78 | 62 | 99.88 | 89 | 440.85 | 141 | 126 |
| King & Queen | 12,321 | 79 | 41 | 5,861 | 93 | 97 | 97.22 | 81 | 238.54 | 76 | 30 |
| King William | 25,126 | 162 | 126 | 5,954 | 95 | 100 | 128.62 | 124 | 392.76 | 125 | 121 |
| Lancaster | 24,502 | 157 | 124 | 5,607 | 89 | 90 | 116.45 | 116 | 394.65 | 126 | 122 |
| Lee | 8,274 | 53 | 3 | 3,682 | 58 | 4 | 51.32 | 1 | 178.54 | 57 | 1 |
| Loudoun | 29,531 | 190 | 131 | 7,710 | 122 | 129 | 149.43 | 132 | 471.17 | 150 | 132 |
| Louisa | 34,918 | 224 | 135 | 4,843 | 77 | 58 | 148.08 | 131 | 456.43 | 146 | 130 |
| Lunenburg | 12,101 | 78 | 40 | 4,795 | 76 | 55 | 73.76 | 32 | 243.79 | 78 | 36 |
| Madison | 18,651 | 120 | 97 | 3,910 | 62 | 10 | 86.34 | 66 | 287.18 | 92 | 68 |
| Mathews | 20,832 | 134 | 113 | 4,744 | 75 | 52 | 101.24 | 92 | 327.93 | 105 | 99 |
| Mecklenburg | 11,971 | 77 | 39 | 4,646 | 74 | 45 | 70.85 | 24 | 252.20 | 81 | 42 |
| Middlesex | 23,829 | 153 | 122 | 4,407 | 70 | 33 | 119.45 | 119 | 350.66 | 112 | 112 |
| Montgomery | 9,421 | 61 | 11 | 3,924 | 62 | 11 | 63.78 | 8 | 202.61 | 65 | 5 |

Appendix Table A.2 (cont'd)

Selected Measures of Local Fiscal Capacity, All Counties and Cities

| | True Value of Real Estate Per Capita | | | Personal Income Per Capita | | | Composite Index Per Capita | | Computed Revenue Capacity Per Capita | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| Counties (cont'd) | | | | | | | | | | | |
| Nelson | 18,157 | 117 | 94 | 3,720 | 59 | 6 | 79.16 | 46 | 275.96 | 88 | 63 |
| New Kent | 23,102 | 148 | 121 | 5,339 | 85 | 81 | 113.02 | 112 | 354.90 | 113 | 114 |
| Northampton | 11,610 | 75 | 34 | 3,908 | 62 | 9 | 74.51 | 35 | 228.94 | 73 | 20 |
| Northumberland | 22,807 | 147 | 120 | 5,060 | 80 | 69 | 110.47 | 108 | 348.71 | 111 | 111 |
| Nottoway | 12,742 | 82 | 45 | 5,185 | 82 | 75 | 73.77 | 33 | 257.86 | 82 | 47 |
| Orange | 20,444 | 131 | 110 | 5,426 | 86 | 85 | 105.44 | 99 | 340.22 | 109 | 104 |
| Page | 13,110 | 84 | 57 | 4,376 | 69 | 31 | 81.85 | 58 | 250.92 | 80 | 41 |
| Patrick | 13,148 | 84 | 59 | 4,398 | 70 | 32 | 68.40 | 16 | 243.65 | 78 | 35 |
| Pittsylvania | 10,140 | 65 | 17 | 4,251 | 67 | 25 | 61.07 | 7 | 208.14 | 66 | 8 |
| Powhatan | 17,029 | 109 | 86 | 4,557 | 72 | 41 | 80.55 | 52 | 265.36 | 85 | 51 |
| Prince Edward | 12,905 | 83 | 51 | 4,554 | 72 | 40 | 75.37 | 38 | 256.68 | 82 | 46 |
| Prince George | 10,314 | 66 | 20 | 5,185 | 82 | 76 | 78.64 | 45 | 200.29 | 64 | 4 |
| Prince William | 17,486 | 112 | 89 | 5,909 | 94 | 98 | 105.74 | 100 | 318.09 | 102 | 93 |
| Pulaski | 11,953 | 77 | 38 | 4,642 | 74 | 44 | 74.84 | 36 | 249.21 | 80 | 37 |
| Rappahannock | 28,851 | 185 | 130 | 4,994 | 79 | 68 | 130.93 | 125 | 395.46 | 126 | 123 |
| Richmond | 18,035 | 116 | 93 | 5,909 | 94 | 99 | 103.79 | 97 | 353.06 | 113 | 113 |
| Roanoke | 13,622 | 88 | 63 | 6,585 | 105 | 115 | 97.41 | 83 | 295.78 | 94 | 75 |
| Rockbridge | 15,858 | 102 | 83 | 4,123 | 65 | 20 | 80.01 | 50 | 274.19 | 88 | 59 |
| Rockingham | 15,716 | 101 | 82 | 4,843 | 77 | 59 | 83.17 | 62 | 283.76 | 91 | 67 |
| Russell | 12,846 | 83 | 48 | 4,455 | 71 | 36 | 75.10 | 37 | 241.25 | 77 | 32 |
| Scott | 7,826 | 50 | 2 | 4,131 | 66 | 23 | 56.82 | 3 | 184.73 | 59 | 2 |
| Shenandoah | 19,063 | 123 | 100 | 4,762 | 76 | 53 | 99.11 | 87 | 319.20 | 102 | 94 |
| Smyth | 9,603 | 62 | 12 | 4,084 | 65 | 17 | 63.96 | 9 | 212.15 | 68 | 9 |
| Southampton | 13,022 | 84 | 55 | 4,157 | 66 | 22 | 73.40 | 31 | 233.04 | 74 | 22 |
| Spotsylvania | 18,164 | 117 | 95 | 4,937 | 78 | 65 | 110.93 | 110 | 306.64 | 98 | 82 |
| Stafford | 15,189 | 98 | 78 | 5,395 | 86 | 83 | 90.50 | 71 | 270.18 | 86 | 55 |
| Surry | 86,211 | 554 | 136 | 4,280 | 68 | 26 | 313.78 | 136 | 924.57 | 295 | 136 |
| Sussex | 19,088 | 123 | 101 | 4,602 | 73 | 42 | 96.06 | 80 | 308.09 | 98 | 87 |
| Tazewell | 8,809 | 57 | 5 | 5,606 | 89 | 89 | 71.59 | 27 | 233.93 | 75 | 24 |
| Warren | 18,877 | 121 | 98 | 5,099 | 81 | 71 | 113.12 | 113 | 327.67 | 105 | 98 |
| Washington | 10,862 | 70 | 28 | 4,338 | 69 | 28 | 66.30 | 12 | 223.05 | 71 | 16 |
| Westmoreland | 19,859 | 128 | 106 | 4,339 | 69 | 29 | 90.59 | 72 | 311.07 | 99 | 88 |
| Wise | 9,103 | 59 | 9 | 5,675 | 90 | 93 | 69.45 | 20 | 237.72 | 76 | 29 |
| Wythe | 10,089 | 65 | 15 | 4,304 | 68 | 27 | 70.46 | 22 | 224.61 | 72 | 18 |
| York | 19,690 | 127 | 105 | 5,598 | 89 | 88 | 114.24 | 115 | 316.24 | 101 | 92 |

Appendix Table A.2 (cont'd)

Selected Measures of Local Fiscal Capacity, All Counties and Cities

| | True Value of Real Estate Per Capita | | | Personal Income Per Capita | | | Composite Index Per Capita | | Computed Revenue Capacity Per Capita | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| Cities | | | | | | | | | | | |
| Alexandria | 22,214 | 143 | 117 | 9,929 | 158 | 134 | 142.38 | 128 | 469.36 | 150 | 131 |
| Bedford | 12,393 | 84 | 54 | 6,162 | 98 | 106 | 91.32 | 74 | 294.16 | 94 | 74 |
| Bristol | 10,678 | 69 | 25 | 5,291 | 84 | 78 | 82.92 | 60 | 274.67 | 88 | 61 |
| Buena Vista | 9,681 | 62 | 13 | 4,419 | 70 | 35 | 64.49 | 10 | 217.32 | 69 | 13 |
| Charlottesville | 13,621 | 88 | 62 | 6,861 | 109 | 121 | 103.33 | 95 | 333.60 | 106 | 100 |
| Chesapeake | 10,883 | 70 | 29 | 5,136 | 82 | 73 | 75.40 | 39 | 232.68 | 74 | 21 |
| Clifton Forge | 8,821 | 57 | 6 | 6,317 | 100 | 110 | 81.12 | 56 | 255.20 | 81 | 44 |
| Colonial Heights | 12,927 | 83 | 53 | 7,177 | 114 | 125 | 91.79 | 75 | 306.77 | 98 | 83 |
| Covington | 14,312 | 92 | 70 | 6,761 | 107 | 118 | 93.28 | 76 | 333.86 | 107 | 101 |
| Danville | 10,991 | 71 | 31 | 6,069 | 96 | 103 | 85.83 | 65 | 287.33 | 92 | 69 |
| Emporia | 10,920 | 70 | 30 | 5,769 | 92 | 95 | 90.00 | 69 | 307.87 | 98 | 86 |
| Fairfax | 22,050 | 142 | 116 | 9,173 | 146 | 133 | 146.80 | 130 | 455.89 | 146 | 129 |
| Falls Church | 28,684 | 184 | 129 | 14,488 | 230 | 136 | 216.32 | 135 | 675.94 | 216 | 135 |
| Franklin | 10,752 | 69 | 27 | 7,177 | 114 | 126 | 89.13 | 67 | 291.55 | 93 | 71 |
| Fredericksburg | 15,204 | 98 | 79 | 7,124 | 113 | 124 | 113.64 | 114 | 370.78 | 118 | 117 |
| Galax | 12,916 | 83 | 52 | 6,959 | 110 | 122 | 108.05 | 104 | 345.88 | 110 | 109 |
| Hampton | 10,497 | 67 | 22 | 5,810 | 92 | 96 | 79.66 | 49 | 259.45 | 83 | 49 |
| Harrisonburg | 13,318 | 86 | 61 | 5,220 | 83 | 77 | 102.73 | 94 | 305.28 | 97 | 80 |
| Hopewell | 11,718 | 75 | 35 | 6,049 | 96 | 102 | 82.98 | 61 | 276.66 | 88 | 64 |
| Lexington | 8,871 | 57 | 7 | 5,391 | 86 | 82 | 73.92 | 34 | 216.45 | 69 | 12 |
| Lynchburg | 12,655 | 81 | 43 | 5,977 | 95 | 101 | 99.31 | 88 | 307.03 | 98 | 84 |
| Manassas | 19,534 | 126 | 104 | 7,177 | 114 | 127 | 123.00 | 122 | 442.58 | 141 | 127 |
| Manassas Park | 7,806 | 50 | 1 | 4,710 | 75 | 50 | 55.49 | 2 | 282.54 | 90 | 66 |
| Martinsville | 13,122 | 84 | 58 | 6,857 | 109 | 119 | 97.77 | 85 | 249.23 | 80 | 38 |
| Newport News | 12,849 | 83 | 49 | 6,084 | 97 | 104 | 89.43 | 68 | 274.51 | 88 | 60 |
| Norfolk | 8,731 | 56 | 4 | 5,668 | 90 | 91 | 77.23 | 43 | 234.38 | 75 | 25 |
| Norton | 12,715 | 82 | 44 | 6,342 | 101 | 111 | 100.88 | 91 | 303.71 | 97 | 77 |
| Petersburg | 10,147 | 65 | 18 | 5,556 | 88 | 87 | 79.47 | 48 | 272.79 | 87 | 58 |
| Poquoson | 11,813 | 76 | 37 | 5,108 | 81 | 72 | 70.56 | 23 | 216.25 | 69 | 11 |
| Portsmouth | 9,308 | 60 | 10 | 5,709 | 91 | 94 | 75.53 | 40 | 234.59 | 75 | 26 |
| Radford | 9,039 | 58 | 8 | 4,769 | 76 | 54 | 70.41 | 21 | 215.37 | 69 | 10 |
| Richmond | 13,679 | 88 | 65 | 7,908 | 126 | 130 | 109.90 | 107 | 342.77 | 109 | 105 |
| Roanoke | 14,780 | 95 | 75 | 6,433 | 102 | 113 | 98.57 | 86 | 343.52 | 110 | 106 |
| Salem | 12,895 | 83 | 50 | 6,507 | 103 | 114 | 97.24 | 82 | 304.59 | 97 | 79 |
| South Boston | 10,229 | 66 | 19 | 6,758 | 107 | 117 | 90.04 | 70 | 265.43 | 85 | 52 |
| Staunton | 12,810 | 82 | 47 | 6,984 | 111 | 123 | 94.93 | 79 | 312.19 | 100 | 89 |
| Suffolk | 13,949 | 90 | 67 | 5,294 | 84 | 79 | 80.68 | 53 | 275.65 | 88 | 62 |
| Virginia Beach | 14,635 | 94 | 73 | 6,217 | 99 | 109 | 97.73 | 84 | 292.55 | 93 | 72 |
| Waynesboro | 15,364 | 99 | 80 | 6,858 | 109 | 120 | 104.29 | 98 | 345.02 | 110 | 107 |
| Williamsburg | 20,656 | 133 | 111 | 7,972 | 127 | 131 | 169.75 | 134 | 472.23 | 151 | 133 |
| Winchester | 13,668 | 88 | 64 | 6,427 | 102 | 112 | 108.96 | 105 | 320.22 | 102 | 95 |
| Exhibit: | | | | | | | | | | | |
| Unweighted mean | 16,320 | | | 5,415 | | | 94.75 | | 303.33 | | |
| Median | 14,086 | | | 5,027 | | | 89.72 | | 287.26 | | |
| Range | 13,122 - 86,211 | | | 3,499 - 14,488 | | | 51.32 - 313.78 | | 178.54 - 924.57 | | |

Appendix Table A.3

Selected Measures of Local Fiscal Effort, All Counties and Cities

| | Revenues from Local Sources Per $1,000 of True Value | | | Revenues from Local Sources Per $1,000 of Personal Income | | | Revenue from Local Sources Per Capita | | | Revenue from Local Sources Per Capita + Computed Revenue Capacity Per Capita | | Effective True Tax Rate Per $100 of True Value of Real Estate | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| State | 20.14 | 100 | ... | 50.75 | 100 | ... | 313.26 | 100 | ... | 100 | ... | .94 | 100 | ... |
| Counties | | | | | | | | | | | | | | |
| Accomack | 9.47 | 47 | 54 | 30.24 | 60 | 42 | 139.01 | 44 | 45 | 51 | 50 | .31 | 33 | 12 |
| Albemarle | 12.95 | 64 | 79 | 60.62 | 119 | 128 | 262.72 | 84 | 100 | 84 | 100 | .63 | 67 | 84 |
| Alleghany | 13.46 | 67 | 83 | 41.18 | 81 | 90 | 159.78 | 51 | 61 | 72 | 85 | .67 | 71 | 90 |
| Amelia | 5.41 | 27 | 5 | 24.77 | 49 | 19 | 100.49 | 32 | 13 | 35 | 5 | .30 | 32 | 11 |
| Amherst | 10.84 | 54 | 66 | 26.33 | 52 | 25 | 115.94 | 37 | 22 | 52 | 51 | .43 | 46 | 40 |
| Appomattox | 9.41 | 47 | 52 | 27.26 | 54 | 30 | 130.85 | 42 | 34 | 50 | 46 | .53 | 56 | 67 |
| Arlington | 25.26 | 125 | 115 | 51.93 | 102 | 114 | 616.08 | 197 | 135 | 122 | 125 | 1.40 | 149 | 128 |
| Augusta | 10.55 | 52 | 63 | 33.92 | 67 | 63 | 148.03 | 47 | 51 | 57 | 67 | .44 | 47 | 42 |
| Bath | 9.88 | 49 | 59 | 43.53 | 86 | 96 | 200.71 | 64 | 84 | 58 | 69 | .54 | 57 | 70 |
| Bedford | 11.82 | 59 | 73 | 34.13 | 67 | 64 | 167.05 | 53 | 65 | 63 | 72 | .50 | 53 | 61 |
| Bland | 5.86 | 29 | 9 | 16.67 | 33 | 1 | 61.76 | 20 | 1 | 32 | 2 | .25 | 27 | 2 |
| Botetourt | 11.76 | 58 | 72 | 38.10 | 75 | 79 | 174.66 | 56 | 70 | 65 | 75 | .64 | 68 | 85 |
| Brunswick | 10.08 | 50 | 61 | 30.97 | 61 | 46 | 131.57 | 42 | 35 | 55 | 60 | .44 | 47 | 43 |
| Buchanan | 12.81 | 64 | 77 | 32.94 | 65 | 58 | 199.49 | 64 | 83 | 65 | 74 | .25 | 27 | 3 |
| Buckingham | 6.26 | 31 | 12 | 38.85 | 77 | 83 | 140.49 | 45 | 46 | 44 | 29 | .28 | 30 | 7 |
| Campbell | 15.87 | 79 | 91 | 30.42 | 60 | 44 | 159.74 | 51 | 60 | 68 | 81 | .57 | 61 | 74 |
| Caroline | 8.37 | 42 | 40 | 33.72 | 66 | 62 | 158.60 | 51 | 58 | 53 | 52 | .46 | 49 | 48 |
| Carroll | 9.67 | 48 | 56 | 25.86 | 51 | 23 | 97.66 | 31 | 11 | 48 | 43 | .60 | 64 | 81 |
| Charles City | 7.77 | 39 | 30 | 38.00 | 75 | 78 | 148.49 | 47 | 52 | 53 | 53 | .52 | 55 | 66 |
| Charlotte | 6.63 | 33 | 15 | 23.15 | 46 | 14 | 95.35 | 30 | 10 | 38 | 13 | .32 | 34 | 13 |
| Chesterfield | 18.97 | 94 | 96 | 52.17 | 103 | 115 | 326.76 | 104 | 115 | 100 | 114 | .93 | 99 | 109 |
| Clarke | 7.22 | 36 | 24 | 32.59 | 64 | 53 | 181.27 | 58 | 73 | 47 | 42 | .44 | 47 | 44 |
| Craig | 7.48 | 37 | 27 | 25.98 | 51 | 24 | 111.73 | 36 | 20 | 44 | 27 | .47 | 50 | 54 |
| Culpeper | 9.20 | 46 | 51 | 39.50 | 78 | 85 | 190.05 | 61 | 79 | 56 | 63 | .57 | 61 | 75 |
| Cumberland | 6.67 | 33 | 17 | 31.55 | 62 | 48 | 107.60 | 34 | 18 | 43 | 24 | .29 | 31 | 8 |
| Dickenson | 12.44 | 62 | 76 | 35.33 | 70 | 69 | 158.99 | 51 | 59 | 66 | 78 | .37 | 39 | 26 |
| Dinwiddie | 10.89 | 54 | 67 | 27.66 | 55 | 33 | 137.42 | 44 | 42 | 57 | 64 | .49 | 52 | 59 |
| Essex | 8.07 | 40 | 35 | 39.15 | 77 | 84 | 176.19 | 56 | 71 | 49 | 45 | .34 | 36 | 17 |
| Fairfax | 26.70 | 133 | 122 | 69.94 | 138 | 133 | 594.42 | 190 | 131 | 141 | 134 | 1.46 | 155 | 131 |
| Fauquier | 8.18 | 41 | 36 | 40.56 | 80 | 88 | 244.19 | 78 | 95 | 55 | 58 | .42 | 45 | 39 |
| Floyd | 6.00 | 30 | 10 | 30.21 | 60 | 41 | 116.28 | 37 | 23 | 40 | 17 | .29 | 31 | 9 |
| Fluvanna | 6.18 | 31 | 11 | 37.47 | 74 | 76 | 171.16 | 55 | 67 | 45 | 31 | .33 | 35 | 14 |
| Franklin | 9.68 | 48 | 57 | 24.93 | 49 | 20 | 109.08 | 35 | 19 | 46 | 37 | .40 | 43 | 32 |
| Frederick | 9.41 | 47 | 53 | 38.63 | 76 | 82 | 197.15 | 63 | 81 | 57 | 65 | .45 | 48 | 46 |
| Giles | 10.68 | 53 | 64 | 32.80 | 65 | 56 | 154.31 | 49 | 55 | 57 | 66 | .37 | 39 | 27 |

Sources: Those used for Appendix Table A.2.

Appendix Table A.3 (cont'd)

Selected Measures of Local Fiscal Effort, All Counties and Cities

| | Revenues from Local Sources Per $1,000 of True Value | | | Revenues from Local Sources Per $1,000 of Personal Income | | | Revenue from Local Sources Per Capita | | | Revenue from Local Sources Per Capita + Computed Revenue Capacity Per Capita | | Effective True Tax Rate Per $100 of True Value of Real Estate | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| Counties (cont'd) | | | | | | | | | | | | | | |
| Gloucester | 8.99 | 45 | 47 | 34.81 | 69 | 67 | 181.92 | 58 | 74 | 54 | 56 | .50 | 53 | 62 |
| Goochland | 7.84 | 39 | 32 | 41.89 | 83 | 91 | 201.01 | 64 | 85 | 55 | 59 | .47 | 50 | 55 |
| Grayson | 7.59 | 38 | 29 | 20.66 | 41 | 8 | 80.37 | 26 | 3 | 39 | 15 | .40 | 43 | 33 |
| Greene | 7.13 | 35 | 22 | 33.42 | 66 | 60 | 118.18 | 38 | 25 | 46 | 38 | .41 | 44 | 35 |
| Greensville | 11.13 | 55 | 68 | 43.49 | 86 | 95 | 147.19 | 47 | 50 | 66 | 77 | .34 | 36 | 18 |
| Halifax | 9.97 | 50 | 60 | 26.70 | 53 | 26 | 112.73 | 36 | 21 | 50 | 47 | .36 | 38 | 22 |
| Hanover | 9.00 | 45 | 48 | 27.11 | 53 | 27 | 158.12 | 50 | 57 | 49 | 44 | .50 | 53 | 63 |
| Henrico | 18.95 | 94 | 95 | 43.54 | 86 | 97 | 330.24 | 105 | 116 | 89 | 104 | .75 | 80 | 97 |
| Henry | 10.36 | 51 | 62 | 22.66 | 45 | 12 | 106.92 | 34 | 17 | 46 | 36 | .46 | 49 | 49 |
| Highland | 5.76 | 29 | 8 | 46.04 | 91 | 102 | 186.01 | 59 | 77 | 44 | 28 | .34 | 36 | 19 |
| Isle of Wight | 13.37 | 66 | 81 | 46.63 | 92 | 103 | 236.43 | 75 | 93 | 77 | 91 | .38 | 40 | 28 |
| James City | 15.29 | 76 | 90 | 60.45 | 119 | 126 | 274.16 | 88 | 102 | 90 | 105 | .79 | 84 | 101 |
| King George | 4.72 | 23 | 4 | 29.82 | 59 | 39 | 144.22 | 46 | 49 | 33 | 3 | .50 | 53 | 64 |
| King & Queen | 14.05 | 70 | 86 | 30.33 | 60 | 43 | 173.12 | 55 | 69 | 73 | 86 | .54 | 57 | 71 |
| King William | 7.13 | 35 | 21 | 31.17 | 61 | 47 | 179.13 | 57 | 72 | 46 | 34 | .55 | 59 | 72 |
| Lancaster | 5.65 | 28 | 6 | 25.08 | 49 | 21 | 138.44 | 44 | 44 | 35 | 6 | .27 | 29 | 6 |
| Lee | 7.89 | 39 | 33 | 18.17 | 36 | 2 | 65.30 | 21 | 2 | 37 | 7 | .36 | 38 | 23 |
| Loudoun | 12.10 | 60 | 75 | 48.53 | 96 | 108 | 357.32 | 114 | 121 | 76 | 90 | .82 | 87 | 102 |
| Louisa | 3.96 | 20 | 1 | 29.70 | 59 | 38 | 138.38 | 44 | 43 | 30 | 1 | .22 | 23 | 1 |
| Lunenburg | 7.38 | 37 | 26 | 18.67 | 37 | 3 | 89.26 | 29 | 7 | 37 | 8 | .41 | 44 | 36 |
| Madison | 6.94 | 35 | 18 | 32.70 | 64 | 55 | 129.47 | 41 | 33 | 45 | 32 | .40 | 43 | 34 |
| Mathews | 6.49 | 32 | 14 | 28.50 | 56 | 35 | 135.13 | 43 | 39 | 41 | 19 | .38 | 40 | 29 |
| Mecklenburg | 7.84 | 39 | 31 | 20.15 | 40 | 5 | 93.87 | 30 | 9 | 37 | 10 | .35 | 37 | 20 |
| Middlesex | 5.71 | 28 | 7 | 32.62 | 64 | 54 | 136.06 | 43 | 40 | 39 | 14 | .29 | 31 | 10 |
| Montgomery | 14.07 | 70 | 87 | 34.22 | 67 | 65 | 132.58 | 42 | 38 | 65 | 76 | .83 | 88 | 103 |
| Nelson | 8.97 | 45 | 46 | 43.71 | 86 | 98 | 162.88 | 52 | 63 | 59 | 70 | .46 | 49 | 50 |
| New Kent | 8.22 | 41 | 37 | 36.54 | 72 | 73 | 190.01 | 61 | 78 | 54 | 54 | .58 | 62 | 76 |
| Northampton | 10.68 | 53 | 65 | 32.12 | 63 | 52 | 123.94 | 40 | 28 | 54 | 55 | .61 | 65 | 82 |
| Northumberland | 7.11 | 35 | 20 | 32.82 | 65 | 57 | 162.08 | 52 | 62 | 46 | 40 | .48 | 51 | 57 |
| Nottoway | 9.15 | 45 | 50 | 23.84 | 47 | 16 | 116.63 | 37 | 24 | 45 | 33 | .48 | 51 | 58 |
| Orange | 8.29 | 41 | 39 | 31.73 | 63 | 49 | 169.54 | 54 | 66 | 50 | 48 | .49 | 52 | 60 |
| Page | 7.10 | 35 | 19 | 21.39 | 42 | 9 | 93.06 | 30 | 8 | 37 | 9 | .44 | 47 | 45 |
| Patrick | 8.04 | 40 | 34 | 24.37 | 48 | 18 | 105.60 | 34 | 14 | 43 | 26 | .43 | 46 | 41 |
| Pittsylvania | 8.49 | 42 | 42 | 20.52 | 40 | 6 | 86.11 | 27 | 4 | 41 | 21 | .45 | 48 | 47 |
| Powhatan | 7.30 | 36 | 25 | 30.78 | 61 | 45 | 124.39 | 40 | 29 | 47 | 41 | .58 | 62 | 77 |
| Prince Edward | 8.28 | 41 | 38 | 23.25 | 46 | 15 | 106.79 | 34 | 15 | 42 | 22 | .33 | 35 | 15 |
| Prince George | 13.25 | 66 | 80 | 31.80 | 63 | 50 | 136.64 | 44 | 41 | 68 | 82 | .55 | 59 | 73 |
| Prince William | 27.71 | 138 | 125 | 84.49 | 166 | 135 | 484.52 | 155 | 129 | 152 | 135 | 1.33 | 141 | 127 |
| Pulaski | 8.94 | 44 | 45 | 23.12 | 46 | 13 | 106.81 | 34 | 16 | 43 | 23 | .46 | 49 | 51 |
| Rappahannock | 4.59 | 23 | 3 | 27.92 | 55 | 34 | 132.38 | 42 | 37 | 33 | 4 | .26 | 28 | 5 |

Appendix Table A.3 (cont'd)

Selected Measures of Local Fiscal Effort, All Counties and Cities

| | Revenues from Local Sources Per $1,000 of True Value | | | Revenues from Local Sources Per $1,000 of Personal Income | | | Revenue from Local Sources Per Capita | | | Revenue from Local Sources Per Capita + Computed Revenue Capacity Per Capita | | Effective True Tax Rate Per $100 of True Value of Real Estate | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| Counties (cont'd) | | | | | | | | | | | | | | |
| Richmond | 8.74 | 43 | 44 | 27.63 | 54 | 32 | 157.67 | 50 | 56 | 45 | 30 | .36 | 38 | 24 |
| Roanoke | 26.06 | 129 | 120 | 59.65 | 118 | 124 | 355.03 | 113 | 120 | 120 | 122 | .89 | 95 | 105 |
| Rockbridge | 11.53 | 57 | 70 | 43.81 | 86 | 99 | 182.84 | 58 | 75 | 67 | 79 | .47 | 50 | 56 |
| Rockingham | 8.39 | 42 | 41 | 27.33 | 54 | 31 | 131.85 | 42 | 36 | 46 | 39 | .41 | 44 | 37 |
| Russell | 11.64 | 58 | 71 | 35.22 | 69 | 68 | 149.51 | 48 | 53 | 62 | 71 | .53 | 56 | 68 |
| Scott | 12.84 | 64 | 78 | 24.32 | 48 | 17 | 100.46 | 32 | 12 | 54 | 57 | .68 | 72 | 91 |
| Shenandoah | 6.34 | 31 | 13 | 25.78 | 51 | 22 | 120.85 | 39 | 27 | 38 | 11 | .33 | 35 | 16 |
| Smyth | 9.06 | 45 | 49 | 21.53 | 42 | 10 | 87.05 | 28 | 5 | 41 | 18 | .39 | 41 | 31 |
| Southampton | 9.88 | 49 | 58 | 32.00 | 63 | 51 | 128.68 | 41 | 31 | 55 | 61 | .46 | 49 | 52 |
| Spotsylvania | 9.50 | 47 | 55 | 39.76 | 78 | 87 | 172.60 | 55 | 68 | 56 | 62 | .59 | 63 | 79 |
| Stafford | 13.45 | 67 | 82 | 40.85 | 81 | 89 | 204.25 | 65 | 87 | 76 | 89 | .68 | 72 | 92 |
| Surry | 4.09 | 20 | 2 | 81.52 | 161 | 134 | 352.31 | 112 | 119 | 38 | 12 | .25 | 27 | 4 |
| Sussex | 6.67 | 33 | 16 | 27.23 | 54 | 29 | 127.34 | 41 | 30 | 41 | 20 | .35 | 37 | 21 |
| Tazewell | 13.62 | 68 | 84 | 22.60 | 45 | 11 | 119.96 | 38 | 26 | 51 | 49 | .46 | 49 | 53 |
| Warren | 7.51 | 37 | 28 | 28.62 | 56 | 36 | 141.76 | 45 | 47 | 43 | 25 | .38 | 40 | 30 |
| Washington | 11.87 | 59 | 74 | 30.13 | 59 | 40 | 128.95 | 41 | 32 | 58 | 68 | .50 | 53 | 65 |
| Westmoreland | 7.16 | 36 | 23 | 33.45 | 66 | 61 | 142.11 | 45 | 48 | 46 | 35 | .53 | 56 | 69 |
| Wise | 16.44 | 82 | 92 | 27.21 | 54 | 28 | 149.63 | 48 | 54 | 63 | 73 | .36 | 38 | 25 |
| Wythe | 8.73 | 43 | 43 | 20.65 | 41 | 7 | 88.13 | 28 | 6 | 39 | 16 | .41 | 44 | 38 |
| York | 11.19 | 56 | 69 | 42.37 | 83 | 92 | 220.43 | 70 | 91 | 70 | 83 | .61 | 65 | 83 |
| Cities | | | | | | | | | | | | | | |
| Alexandria | 26.99 | 134 | 123 | 58.53 | 115 | 121 | 599.55 | 191 | 133 | 128 | 128 | 1.47 | 156 | 132 |
| Bedford | 15.10 | 75 | 89 | 28.71 | 57 | 37 | 196.21 | 63 | 80 | 67 | 80 | .59 | 63 | 80 |
| Bristol | 24.81 | 123 | 114 | 51.48 | 101 | 113 | 264.81 | 85 | 101 | 96 | 111 | 1.06 | 113 | 117 |
| Buena Vista | 22.52 | 112 | 109 | 48.28 | 95 | 105 | 218.00 | 70 | 90 | 100 | 113 | .97 | 103 | 111 |
| Charlottesville | 29.48 | 146 | 129 | 57.07 | 112 | 119 | 401.49 | 128 | 127 | 120 | 123 | 1.23 | 131 | 125 |
| Chesapeake | 25.29 | 126 | 116 | 55.91 | 110 | 118 | 275.29 | 88 | 104 | 118 | 120 | 1.21 | 129 | 123 |
| Clifton Forge | 34.19 | 170 | 133 | 46.91 | 92 | 104 | 301.59 | 96 | 113 | 118 | 118 | 1.44 | 153 | 130 |
| Colonial Heights | 19.03 | 94 | 97 | 34.31 | 68 | 66 | 245.96 | 79 | 96 | 80 | 97 | 1.06 | 113 | 118 |
| Covington | 19.23 | 95 | 98 | 39.51 | 78 | 86 | 275.23 | 88 | 103 | 82 | 99 | .65 | 69 | 88 |
| Danville | 20.49 | 102 | 102 | 36.04 | 71 | 72 | 225.18 | 72 | 92 | 78 | 93 | .64 | 68 | 86 |
| Emporia | 22.19 | 110 | 106 | 37.34 | 74 | 75 | 242.36 | 77 | 94 | 79 | 94 | .74 | 79 | 95 |
| Fairfax | 27.87 | 138 | 127 | 66.78 | 132 | 130 | 614.48 | 196 | 134 | 135 | 131 | 1.62 | 172 | 134 |
| Falls Church | 22.60 | 112 | 110 | 45.69 | 90 | 101 | 648.22 | 207 | 136 | 96 | 110 | 1.10 | 117 | 119 |
| Franklin | 25.78 | 128 | 118 | 35.95 | 71 | 71 | 277.19 | 88 | 105 | 95 | 109 | .92 | 98 | 108 |
| Fredericksburg | 23.56 | 117 | 113 | 49.88 | 98 | 111 | 358.22 | 114 | 122 | 97 | 112 | .98 | 104 | 112 |
| Galax | 23.09 | 115 | 112 | 42.78 | 84 | 94 | 298.18 | 95 | 111 | 86 | 102 | .75 | 80 | 98 |
| Hampton | 27.80 | 138 | 126 | 49.61 | 98 | 110 | 291.79 | 93 | 108 | 112 | 117 | 1.43 | 152 | 129 |
| Harrisonburg | 21.48 | 107 | 104 | 53.70 | 106 | 117 | 286.14 | 91 | 106 | 94 | 107 | .65 | 69 | 89 |
| Hopewell | 25.56 | 127 | 117 | 50.27 | 99 | 112 | 299.55 | 96 | 112 | 108 | 116 | .99 | 105 | 113 |
| Lexington | 20.71 | 103 | 103 | 38.60 | 76 | 81 | 183.71 | 59 | 76 | 85 | 101 | .74 | 79 | 96 |

Appendix Table A.3 (cont'd)

Selected Measures of Local Fiscal Effort, All Counties and Cities

| | Revenues from Local Sources Per $1,000 of True Value | | | Revenues from Local Sources Per $1,000 of Personal Income | | | Revenue from Local Sources Per Capita | | | Revenue from Local Sources Per Capita ÷ Computed Revenue Capacity Per Capita | | Effective True Tax Rate Per $100 of True Value of Real Estate | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank | Index (St=100) | Rank | Amount ($) | Index (St=100) | Rank |
| Cities (cont'd) | | | | | | | | | | | | | | |
| Lynchburg | 29.29 | 145 | 128 | 59.56 | 117 | 123 | 370.71 | 118 | 125 | 121 | 124 | 1.19 | 127 | 121 |
| Manassas | 30.55 | 152 | 130 | 60.24 | 118 | 125 | 596.81 | 191 | 132 | 135 | 132 | 1.71 | 182 | 135 |
| Manassas Park | 25.83 | 128 | 119 | 19.26 | 38 | 4 | 201.65 | 64 | 86 | 71 | 84 | 1.87 | 199 | 136 |
| Martinsville | 22.48 | 112 | 108 | 118.54 | 234 | 136 | 295.01 | 94 | 109 | 118 | 121 | .96 | 102 | 110 |
| Newport News | 26.38 | 131 | 121 | 57.51 | 113 | 120 | 339.00 | 108 | 117 | 123 | 126 | 1.22 | 130 | 124 |
| Norfolk | 36.81 | 183 | 135 | 58.74 | 116 | 122 | 321.40 | 103 | 114 | 137 | 133 | 1.20 | 128 | 122 |
| Norton | 19.56 | 97 | 100 | 37.82 | 75 | 77 | 248.77 | 79 | 97 | 82 | 98 | .64 | 68 | 87 |
| Petersburg | 36.23 | 180 | 134 | 60.45 | 119 | 127 | 367.63 | 117 | 123 | 135 | 130 | 1.00 | 106 | 115 |
| Poquoson | 13.80 | 69 | 85 | 36.66 | 72 | 74 | 163.04 | 52 | 64 | 75 | 88 | .69 | 73 | 93 |
| Portsmouth | 31.76 | 158 | 132 | 52.98 | 104 | 116 | 295.61 | 94 | 110 | 126 | 127 | 1.25 | 133 | 126 |
| Radford | 21.86 | 109 | 105 | 42.44 | 84 | 93 | 197.60 | 63 | 82 | 92 | 106 | .90 | 96 | 106 |
| Richmond | 39.61 | 197 | 136 | 67.85 | 134 | 132 | 541.89 | 173 | 130 | 158 | 136 | 1.56 | 166 | 133 |
| Roanoke | 31.09 | 154 | 131 | 67.34 | 133 | 131 | 459.57 | 147 | 128 | 134 | 129 | 1.01 | 107 | 116 |
| Salem | 22.33 | 111 | 107 | 48.30 | 95 | 106 | 287.90 | 92 | 107 | 95 | 108 | 1.13 | 120 | 120 |
| South Boston | 20.47 | 102 | 101 | 33.09 | 65 | 59 | 209.40 | 67 | 89 | 79 | 95 | .86 | 91 | 104 |
| Staunton | 19.50 | 97 | 99 | 35.72 | 70 | 70 | 249.74 | 80 | 98 | 80 | 96 | .71 | 76 | 94 |
| Suffolk | 14.71 | 73 | 88 | 38.19 | 75 | 80 | 205.23 | 66 | 88 | 74 | 87 | .77 | 82 | 99 |
| Virginia Beach | 17.67 | 88 | 93 | 44.33 | 87 | 100 | 258.54 | 83 | 99 | 88 | 103 | .77 | 82 | 100 |
| Waynesboro | 22.64 | 112 | 111 | 48.86 | 96 | 109 | 347.77 | 111 | 118 | 101 | 115 | .90 | 96 | 107 |
| Williamsburg | 17.88 | 89 | 94 | 48.41 | 95 | 107 | 369.41 | 118 | 124 | 78 | 92 | .58 | 62 | 78 |
| Winchester | 27.69 | 138 | 124 | 62.62 | 123 | 129 | 378.50 | 121 | 126 | 118 | 119 | .99 | 105 | 114 |
| Exhibit: | | | | | | | | | | | | | | |
| Unweighted mean | 14.47 | | | 38.78 | | | 214.72 | | | 70 | | .65 | | |
| Median | 11.16 | | | 35.28 | | | 172.86 | | | 58 | | .53 | | |
| Range | 3.96-39.61 | | | 16.67-118.54 | | | 61.70-648.22 | | | 30-158 | | .22-1.87 | | |

Appendix Table A.4

Ratio of Noneducation Taxes to Total Local Taxes, All Counties and Cities

| | Ratio (%) | Index (St=100) | Rank |
|---|---|---|---|
| State | 53.6 | 100 | ... |
| Counties | | | |
| Accomack | 54.0 | 101 | 102 |
| Albemarle | 28.5 | 53 | 21 |
| Alleghany | 49.4 | 92 | 93 |
| Amelia | 33.5 | 62 | 40 |
| Amherst | 34.5 | 64 | 48 |
| Appomattox | 33.5 | 63 | 41 |
| Arlington | 61.1 | 114 | 116 |
| Augusta | 37.5 | 70 | 66 |
| Bath | 32.1 | 60 | 30 |
| Bedford | 38.3 | 71 | 70 |
| Bland | 34.3 | 64 | 46 |
| Botetourt | 25.4 | 47 | 11 |
| Brunswick | 31.2 | 58 | 28 |
| Buchanan | 35.6 | 66 | 55 |
| Buckingham | 35.6 | 66 | 56 |
| Campbell | 49.3 | 92 | 92 |
| Caroline | 28.5 | 53 | 22 |
| Carroll | 20.9 | 39 | 4 |
| Charles City | 36.0 | 67 | 59 |
| Charlotte | 31.1 | 58 | 26 |
| Chesterfield | 38.2 | 71 | 69 |
| Clarke | 32.4 | 60 | 31 |
| Craig | 47.6 | 89 | 88 |
| Culpeper | 23.0 | 43 | 9 |
| Cumberland | 27.2 | 51 | 17 |
| Dickenson | 35.2 | 66 | 53 |
| Dinwiddie | 47.2 | 88 | 87 |
| Essex | 27.4 | 51 | 18 |
| Fairfax | 43.2 | 81 | 79 |
| Fauquier | 21.3 | 40 | 5 |
| Floyd | 43.1 | 80 | 78 |
| Fluvanna | 25.6 | 48 | 12 |
| Franklin | 34.2 | 64 | 44 |
| Frederick | 35.0 | 65 | 50 |
| Giles | 26.2 | 49 | 15 |
| Gloucester | 36.0 | 67 | 58 |
| Goochland | 30.5 | 57 | 25 |
| Grayson | 34.2 | 64 | 45 |
| Greene | 38.8 | 72 | 71 |
| Greensville | 37.3 | 70 | 63 |
| Halifax | 28.6 | 53 | 23 |
| Hanover | 45.8 | 86 | 85 |
| Henrico | 44.2 | 83 | 81 |
| Henry | 39.7 | 74 | 74 |
| Highland | 36.6 | 68 | 62 |
| Isle of Wight | 34.5 | 64 | 46 |
| James City | 56.7 | 106 | 107 |
| King George | 19.1 | 36 | 3 |
| King & Queen | 33.1 | 62 | 37 |
| King William | 35.7 | 67 | 57 |
| Lancaster | 33.0 | 62 | 35 |
| Lee | 52.9 | 99 | 100 |
| Loudoun | 25.8 | 48 | 13 |
| Louisa | 32.9 | 61 | 34 |
| Lunenburg | 33.1 | 62 | 38 |
| Madison | 32.5 | 61 | 33 |
| Mathews | 35.4 | 66 | 54 |
| Mecklenburg | 22.1 | 41 | 7 |
| Middlesex | 33.6 | 63 | 42 |
| Montgomery | 33.4 | 62 | 39 |
| Nelson | 16.8 | 31 | 1 |
| New Kent | 37.3 | 70 | 64 |
| Northampton | 31.2 | 58 | 27 |
| Northumberland | 33.1 | 62 | 36 |
| Nottoway | 27.1 | 51 | 16 |
| Orange | 23.0 | 43 | 8 |
| Page | 17.5 | 33 | 2 |
| Patrick | 25.9 | 48 | 14 |
| Pittsylvania | 41.8 | 78 | 77 |
| Powhatan | 35.1 | 66 | 51 |
| Prince Edward | 44.0 | 82 | 80 |
| Prince George | 67.4 | 126 | 122 |
| Prince William | 36.5 | 68 | 61 |
| Pulaski | 40.2 | 75 | 76 |
| Rappahannock | 24.9 | 46 | 10 |
| Richmond | 32.5 | 61 | 32 |
| Roanoke | 39.9 | 74 | 75 |
| Rockbridge | 38.9 | 73 | 73 |
| Rockingham | 49.7 | 93 | 95 |
| Russell | 34.8 | 65 | 49 |
| Scott | 37.7 | 70 | 68 |
| Shenandoah | 27.6 | 52 | 20 |
| Smyth | 36.3 | 68 | 60 |
| Southampton | 45.2 | 84 | 83 |
| Spotsylvania | 37.6 | 70 | 67 |
| Stafford | 45.7 | 85 | 84 |
| Surry | 37.4 | 70 | 65 |
| Sussex | 49.5 | 92 | 94 |
| Tazewell | 46.0 | 86 | 86 |
| Warren | 27.4 | 51 | 19 |
| Washington | 22.1 | 41 | 6 |
| Westmoreland | 57.0 | 106 | 108 |
| Wise | 34.1 | 64 | 43 |
| Wythe | 45.1 | 84 | 82 |
| York | 31.8 | 59 | 29 |
| Cities | | | |
| Alexandria | 76.2 | 142 | 134 |
| Bedford | 67.7 | 126 | 124 |
| Bristol | 71.8 | 134 | 130 |
| Buena Vista | 54.0 | 101 | 103 |
| Charlottesville | 55.5 | 104 | 104 |
| Chesapeake | 63.6 | 119 | 119 |
| Clifton Forge | 53.8 | 101 | 101 |
| Colonial Heights | 51.8 | 97 | 99 |
| Covington | 55.5 | 103 | 105 |
| Danville | 95.4 | 178 | 136 |
| Emporia | 81.3 | 152 | 135 |
| Fairfax | 50.0 | 93 | 96 |
| Falls Church | 61.0 | 114 | 115 |
| Franklin | 59.5 | 111 | 112 |
| Fredericksburg | 61.7 | 115 | 117 |
| Galax | 51.5 | 96 | 98 |
| Hampton | 67.0 | 125 | 120 |
| Harrisonburg | 58.9 | 110 | 111 |
| Hopewell | 56.4 | 105 | 106 |
| Lexington | 74.6 | 139 | 131 |
| Lynchburg | 48.6 | 91 | 90 |
| Manassas | 28.7 | 54 | 24 |
| Manassas Park | 34.1 | 66 | 52 |
| Martinsville | 49.3 | 92 | 91 |
| Newport News | 67.1 | 125 | 121 |
| Norfolk | 74.9 | 140 | 133 |
| Norton | 58.3 | 109 | 110 |
| Petersburg | 69.9 | 130 | 128 |
| Poquoson | 38.9 | 73 | 72 |
| Portsmouth | 74.7 | 139 | 132 |
| Radford | 60.6 | 113 | 114 |
| Richmond | 70.5 | 132 | 129 |
| Roanoke | 68.2 | 127 | 127 |
| Salem | 63.2 | 118 | 118 |
| South Boston | 67.9 | 127 | 126 |
| Staunton | 57.4 | 107 | 109 |
| Suffolk | 60.1 | 112 | 113 |
| Virginia Beach | 67.4 | 126 | 123 |
| Waynesboro | 47.7 | 89 | 89 |
| Williamsburg | 67.8 | 127 | 125 |
| Winchester | 51.1 | 95 | 97 |

Sources: For Noneducation Taxes: U.S. Department of Treasury, Office of Revenue Sharing, Initial State and Local Data Elements, Entitlement Period 10 (Washington, D.C.: U.S. Government Printing Office, 1968), pp. 403-5.

For Total Local Taxes: State Auditor of Public Accounts, comparative cost reports cited in Table 4.1.

Note: For counties, local taxes are the sum of the following: property taxes, penalties, and interest; local sales taxes; taxes on utility services; motor vehicle licenses; permits, license fees; and other local taxes. For cities, local taxes are the sum of general property taxes; other local taxes; and licenses, permits and privilege fees.

Appendix Table A.5

Local Welfare Expenditures, 1977-78

| Program | Amount ($) | Percent of Total |
|---|---|---|
| Aid to Dependent Children | 1,496,268 | 4.8 |
| Administration | 13,742,186 | 43.7 |
| Day Care and other purchased services | 5,132,262 | 16.3 |
| General Relief | 3,855,501 | 12.2 |
| Foster Care | 3,958,694 | 12.6 |
| Hospitalization of the Indigent | 2,594,484 | 8.2 |
| Auxiliary Grants--Aged | 382,694 | 1.2 |
| Auxiliary Grants--Disabled | 318,574 | 1.0 |
| | 31,480,663 | 100.0 |

Source: Virginia Department of Welfare, Annual Report 1977-78, (Richmond, 1979), Table II.

Appendix Table A.6

Financing of Public Welfare Expenditures, All States, 1974-75

| | Percent Financed From | | |
|---|---|---|---|
| | Federal Aid | State Funds | Local Funds |
| United States, Total[1] | 51.1 | 38.6 | 10.3 |
| State | | | |
| Alabama | 70.3 | 25.9 | 3.8 |
| Alaska | 50.9 | 48.4 | 0.9 |
| Arizona | 37.8 | 52.1 | 10.1 |
| Arkansas | 73.3 | 26.1 | 0.6 |
| California | 41.9 | 33.4 | 24.6 |
| Colorado | 58.9 | 39.2 | 1.9 |
| Connecticut | 52.7 | 43.9 | 3.4 |
| Delaware | 41.9 | 57.9 | 0.2 |
| Florida | 55.2 | 36.1 | 8.7 |
| Georgia | 68.3 | 28.6 | 3.1 |
| Hawaii | 41.0 | 58.9 | 0.1 |
| Idaho | 66.5 | 28.0 | 5.4 |
| Illinois | 50.9 | 49.1 | ... |
| Indiana | 45.7 | 34.3 | 20.0 |
| Iowa | 39.1 | 50.9 | 10.0 |
| Kansas | 51.8 | 43.4 | 4.9 |
| Kentucky | 56.6 | 41.2 | 2.2 |
| Louisiana | 66.1 | 32.1 | 1.7 |
| Maine | 59.6 | 37.6 | 2.8 |
| Maryland | 50.4 | 45.5 | 4.0 |
| Massachusetts | 37.2 | 61.4 | 1.4 |
| Michigan | 44.8 | 51.0 | 4.2 |
| Minnesota | 54.6 | 16.8 | 28.6 |
| Mississippi | 68.0 | 28.3 | 3.7 |
| Missouri | 47.4 | 50.1 | 2.4 |
| Montana | 70.6 | 9.3 | 20.7 |
| Nebraska | 51.8 | 29.7 | 18.4 |
| Nevada | 44.8 | 30.5 | 24.7 |
| New Hampshire | 45.8 | 26.7 | 27.6 |
| New Jersey | 47.9 | 46.0 | 6.1 |
| New Mexico | 73.4 | 24.2 | 2.3 |
| New York | 55.7 | 25.1 | 19.2 |
| North Carolina | 65.9 | 15.5 | 18.6 |
| North Dakota | 72.4 | 11.5 | 16.1 |
| Ohio | 41.2 | 44.1 | 14.6 |
| Oklahoma | 69.2 | 29.9 | 0.9 |
| Oregon | 46.9 | 50.9 | 2.2 |
| Pennsylvania | 46.0 | 50.0 | 3.9 |
| Rhode Island | 49.2 | 50.8 | ... |
| South Carolina | 73.1 | 23.4 | 3.6 |
| South Dakota | 60.3 | 35.8 | 3.9 |
| Tennessee | 63.2 | 31.6 | 5.3 |
| Texas | 71.2 | 26.2 | 2.6 |
| Utah | 66.8 | 30.1 | 3.0 |
| Vermont | 58.3 | 41.3 | 0.4 |
| Virginia | 53.6 | 38.1 | 8.2 |
| Washington | 55.0 | 45.0 | ... |
| West Virginia | 65.1 | 34.1 | 0.8 |
| Wisconsin | 52.0 | 39.2 | 8.8 |
| Wyoming | 48.4 | 31.1 | 20.5 |

Source: Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism-1976-77 Edition-3. Expenditures (Washington, D.C.: U.S. Government Printing Office, 1977), p. 31.

[1] Adjusted to exclude the District of Columbia.

Appendix Table A.7

Localities Served by Community Mental Health and Mental Retardation (Chapter 10) Boards

| Name of Board Area | Counties and/or Cities Served |
|---|---|
| 1. Alexandria | City of Alexandria |
| 2. Arlington | County of Arlington |
| 3. Central Virginia | Counties of Bedford, Campbell, Amherst, Appomattox and Cities of Lynchburg and Bedford |
| 4. Chesapeake | City of Chesapeake |
| 5. Chesterfield | County of Chesterfield |
| 6. Cumberland Plateau | Counties of Dickenson, Buchanan, Russell and Tazewell |
| 7. Danville-Pittsylvania | County of Pittsylvania and City of Danville |
| 8. Eastern Shore | Counties of Accomack and Northampton |
| 9. Fairfax-Falls Church | County of Fairfax and Cities of Fairfax and Falls Church |
| 10. Hampton-Newport News | Cities of Hampton and Newport News |
| 11. Hanover | County of Hanover |
| 12. Harrisonburg-Rockingham | County of Rockingham and City of Harrisonburg |
| 13. Henrico | Counties of Henrico, New Kent, and Charles City |
| 14. Highlands | County of Washington and City of Bristol, Virginia |
| 15. Loudoun | County of Loudoun |
| 16. Middle-Peninsula-Northern Neck | Counties of Essex, Gloucester, King and Queen, King William, Lancaster, Mathews, Middlesex, Northumberland, Westmoreland, and Richmond |
| 17. Mt. Rogers | Counties of Smyth, Wythe, Bland, Grayson, Carroll, and City of Galax |
| 18. New River Valley | Counties of Pulaski, Giles, Montgomery, Floyd and City of Radford |
| 19. Norfolk | City of Norfolk |
| 20. Northwestern | Counties of Warren, Clarke, Frederick, Shenandoah and City of Winchester |
| 21. Piedmont Area | Counties of Amelia, Buckingham, Cumberland, Charlotte, Lunenburg, Nottoway, and Prince Edward |
| 22. Piedmont Regional | Counties of Franklin, Patrick, Henry and City of Martinsville |
| 23. Planning District 1 | Counties of Lee, Scott, Wise and City of Norton |
| 24. Planning District 19 | Counties of Prince George, Surry, Sussex, Greensville, Dinwiddie, and Cities of Colonial Heights, Emporia, Hopewell and Petersburg |
| 25. Portsmouth | City of Portsmouth |
| 26. Prince William | County of Prince William and Cities of Manassas and Manassas Park |
| 27. Rappahannock Area | Counties of Caroline, Spotsylvania, Stafford, King George and City of Fredericksburg |
| 28. Rappahannock-Rapidan | Counties of Orange, Fauquier, Culpeper, Madison and Rappahannock |
| 29. Region X | Counties of Albemarle, Nelson, Greene, Louisa, Fluvanna and City of Charlottesville |

Source: Information provided by the Virginia Department of Mental Health and Mental Retardation, August 3, 1978.

Appendix Table A.7 (cont'd)

Localities Served by Community Mental Health and Mental Retardation (Chapter 10) Boards

| Name of Board Area (cont'd) | Counties and/or Cities Served (cont'd) |
|---|---|
| 30. Richmond | City of Richmond |
| 31. Roanoke | County of Roanoke and Cities of Roanoke and Salem |
| 32. Rockbridge | County of Rockbridge and Cities of Lexington and Buena Vista |
| 33. Southside | Counties of Halifax, Mecklenburg, Brunswick, and City of South Boston |
| 34. Valley | County of Augusta and Cities of Staunton and Waynesboro |
| 35. Virginia Beach | City of Virginia Beach |
| 36. Western Tidewater | Counties of Southampton, Isle of Wight and Cities of Franklin and Suffolk |
| 37. Williamsburg | Counties of York, James City and Cities of Williamsburg and Poquoson |

Appendix Table A.8

Mental Health Need Indicators

| Indicator | Relative Predictive Weight |
|---|---|
| 1. Percent families in poverty | .156 |
| 2. *Public mental hospital use rate per 50,000 population | .131 |
| 3. Aged dependency ratio | .116 |
| 4. Percent households headed by females with own children | .112 |
| 5. Percent low socioeconomic status male | .094 |
| 6. Youth dependency ratio | .088 |
| 7. *Drug abuse rate per 50,000 population | .086 |
| 8. Percent overcrowded housing | .079 |
| 9. Percent husband-wife households (reverse scored) | .069 |
| 10. Percent low socioeconomic female | .068 |

Source: Information provided by the Virginia Department of Mental Health and Mental Retardation to the Commission on State Aid to Localities, August 12, 1977.

Note: All indicators except those marked with an asterisk are census data.

Appendix Table A.9

Mental Retardation Need Indicators

| Indicator | Relative Predictive Weight |
|---|---|
| 1. *Percent families in poverty | .154 |
| 2. Total population | .120 |
| 3. Rate of live immature births | .110 |
| 4. Rate of live births to mothers aged 35 and over | .093 |
| 5. *Percent large households with low income | .092 |
| 6. Rate of live births to mothers aged 19 and under | .076 |
| 7. Infant mortality rate | .071 |
| 8. Rubella rate | .062 |
| 9. Fertility ratio | .051 |
| 10. Percent black population | .050 |
| 11. *Percent overcrowded housing | .049 |
| 12. *Percent large households | .036 |
| 13. Syphilis rate | .035 |

Source: Information provided by the Virginia Department of Mental Health and Mental Retardation, August 3, 1978.

Note: Those indicators marked with an asterisk are census data.